21B

Transient Occupancy Tax Analysis

MILPITAS, CALIFORNIA

SUBMITTED TO:

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November 15, 2018

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Re: Transient Occupancy Tax Analysis
Milpitas, California
HVS Reference: 2018021810

Dear Mr. Fuentes:

Pursuant to your request, we herewith submit our transient occupancy tax analysis for the city of Milpitas, California. We hereby certify that our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein.

Sincerely,
HVS Consulting & Valuation
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1. Introduction and Executive Summary

Background of the Engagement

The City of Milpitas currently requires hotel owners/operators to collect, report and remit Transient Occupancy Tax (TOT) equal to 10% of the rate of the room. The revenue raised by this tax provides funding to maintain general city services. The City has proposed raising the occupancy tax up to four points, to a maximum of 14% of hotel rooms revenue (Measure R). A proposition regarding this proposed increased was voted on and approved by city residents in the recent November 6, 2018, election. In anticipation of potential passage of this proposition, the City of Milpitas retained HVS in October of 2018 to study the potential impact varying increases in the TOT rate would have upon the overall TOT collected from hotels located within the city limits.

Objective of the Study

The objective of this assignment is to analyze the impact of the increase in TOT upon hotel demand, hotel rooms revenue, and TOT generated in Milpitas, California. HVS has been requested by the city to provide a forecast of supply, demand, occupancy, average rate, rooms revenue and TOT at five tax rate levels: 10% (existing rate), 11%,12%,13%, and 14%.

In the City of Milpitas, "Hotel" means any structure, or any portion of any structure, which is occupied or intended or designed for occupancy by transients for dwelling, lodging or sleeping purposes, and includes any hotel, inn, tourist home or house, motel, studio hotel, bachelor hotel, lodging house, rooming house, dormitory, public or private club, a mobile home as defined in Health and Safety Code section 18008 located outside a mobile home park or other similar structure or portion thereof at a fixed location in the City of Milpitas. “Transient" means any person who exercises occupancy or is entitled to occupancy by reason of concession, permit, right of access, license or other agreement for a period of thirty (30) consecutive calendar days or less, counting portions of calendar days as full days. Any such person so occupying space in a hotel shall be deemed to be a transient until the period of thirty (30) days has expired. The consultants have focused their study on the supply and performance of commercial hotel rooms in the city and have not undertaken an analysis of the other forms of lodging set forth in the city’s definition of “hotel.”

Methodology

The following procedures were involved in our analysis:

- **Comparable market research**: We selected five comparable markets that have increased TOT rates in recent years and investigated market supply and demand trends before and following the tax rate increases. The impact that the increases in TOT rates had on hotel demand, along with other attributes that would have influenced market conditions, were analyzed. Historical and current market conditions were evaluated based on online research, interviews with officials of business and government, and statistical data provided by STR.
- **Subject market research**: Supply and demand within this market was investigated through market interviews and research. We also studied the performance of Milpitas hotels since 1997. The potential for future hotel development was assessed to determine the trends in the subject market over the short and long term. Additionally, we identified hotel demand generators within the market and investigated their impact on general economic and demographic trends.
- **Milpitas TOT revenue forecast:** Based on our findings and analysis, we prepared a 10-year forecast of supply, demand, average rate, rooms revenue and TOT revenues in the city of Milpitas. The analysis was conducted for five different scenarios of occupancy tax, 10% (existing baseline) and increasing to 11%, 12%, 13%, and 14%.

  The conclusion of our forecasts is summarized in the following tables.

FIGURE 1-1 SUMMARY OF PROJECTED TOT REVENUE BY TOT RATE LEVELS

Tax Rate	Ten-Year Tax Revenue (2019-2029)	% Difference from Total Tax Revenue @ 10%	$ Difference from Total Revenue @ 10%	Rooms Revenue (Stabilized Year)	% Difference from Rooms Revenue @ 10%	Incremental Change % (Rooms Revenue)
10%	$181,553,900	---	---	$181,851,200	---	---
11%	198,891,834	9.55 %	$17,337,934	180,922,924	(0.510) %	(0.510) %
12%	216,085,344	19.02	34,531,444	179,999,045	(1.019)	(0.511)
13%	233,135,459	28.41	51,581,559	179,079,545	(1.524)	(0.511)
14%	250,043,202	37.72	68,489,301	178,164,405	(2.027)	(0.511)

FIGURE 1-2 TOT REVENUE FORECAST AT 10% (EXISTING BASELINE RATE)

	Year	Average Daily	Available Room	Change	Occupied Room	Change	Occupancy	Average Rate	Change	RevPAR	Change	Total Rooms Revenue	Tax Revenue @ 10%	Change
	2018	2,696	983,932	—	728,637	—	74.1 %	$180.70	—	$133.81	—	$131,664,716	$13,166,472	10.4 %
Effective Year>	2019	2,909	1,061,760	7.9 %	780,650	7.1 %	73.5	186.12	3.0 %	136.84	2.3 %	145,295,417	14,529,542	2.2
	2020	3,229	1,178,637	11.0	774,260	(0.8)	65.7	191.70	3.0	125.93	(8.0)	148,429,253	14,842,925	(15.0)
	2021	3,285	1,198,933	1.7	731,393	(5.5)	61.0	172.53	(10.0)	105.25	(16.4)	126,190,330	12,619,033	10.3
	2022	3,285	1,198,933	0.0	806,763	10.3	67.3	172.53	0.0	116.10	10.3	139,194,310	13,919,431	11.4
	2023	3,285	1,198,933	0.0	847,875	5.1	70.7	182.89	6.0	129.34	11.4	155,064,776	15,506,478	6.9
	2024	3,285	1,198,933	0.0	879,836	3.8	73.4	188.37	3.0	138.24	6.9	165,737,304	16,573,730	5.2
	2025	3,285	1,198,933	0.0	898,453	2.1	74.9	194.02	3.0	145.40	5.2	174,321,540	17,432,154	4.3
	2026	3,285	1,198,933	0.0	909,962	1.3	75.9	199.84	3.0	151.68	4.3	181,851,200	18,185,120	3.1
	2027	3,285	1,198,933	0.0	910,761	0.1	76.0	205.84	3.0	156.37	3.1	187,471,246	18,747,125	3.0
	2028	3,285	1,198,933	0.0	910,761	0.0	76.0	212.02	3.0	161.06	3.0	193,095,383	19,309,538	3.0
	2029	3,285	1,198,933	0.0	910,761	0.0	76.0	218.38	3.0	165.89	3.0	198,888,244	19,888,824	
												Total (2019-2029)	**$181,553,900**	

FIGURE 1-3 TOT REVENUE FORECAST AT 11% TAX RATE

	Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Market Change (%)	% Point Reduction	Applied Change %	Occupancy	Average Rate	Market Change (%)	% Point Discount	Applied Change %	RevPAR	Change	Total Rooms Revenue	Tax Revenue @ 11%
	2018	2,696	983,932	—	728,637	—	—	—	74.1 %	$180.70	—	—	—	$133.81	—	$131,664,716	13,166,472
Effective Year>	2019	2,909	1,061,760	7.9 %	780,504	7.1 %	0.020	7.118	73.5	186.04	3.0 %	0.05	2.96	136.76	2.2 %	145,204,827	15,972,531
	2020	3,229	1,178,637	11.0	773,959	(0.8)	0.020	(0.839)	65.7	191.54	3.0	0.05	2.96	125.77	(8.0)	148,242,003	16,306,620
	2021	3,285	1,198,933	1.7	730,954	(5.5)	0.020	(5.556)	61.0	172.30	(10.0)	0.05	(10.05)	105.04	(16.5)	125,941,449	13,853,559
	2022	3,285	1,198,933	0.0	806,133	10.3	0.020	10.285	67.2	172.22	0.0	0.05	(0.05)	115.80	10.2	138,832,091	15,271,530
	2023	3,285	1,198,933	0.0	847,052	5.1	0.020	5.076	70.7	182.48	6.0	0.05	5.96	128.92	11.3	154,566,180	17,002,280
	2024	3,285	1,198,933	0.0	878,812	3.8	0.020	3.750	73.3	187.87	3.0	0.05	2.96	137.71	6.8	165,100,389	18,161,043
	2025	3,285	1,198,933	0.0	897,232	2.1	0.020	2.096	74.8	193.42	3.0	0.05	2.96	144.75	5.1	173,541,774	19,089,595
	2026	3,285	1,198,933	0.0	908,546	1.3	0.020	1.261	75.8	199.13	3.0	0.05	2.96	150.90	4.3	180,922,924	19,901,522
	2027	3,285	1,198,933	0.0	909,162	0.1	0.020	0.068	75.8	205.02	3.0	0.05	2.96	155.47	3.0	186,395,541	20,503,509
	2028	3,285	1,198,933	0.0	908,980	0.0	0.020	(0.020)	75.8	211.08	3.0	0.05	2.96	160.03	2.9	191,865,148	21,105,166
	2029	3,285	1,198,933	0.0	908,798	0.0	0.020	(0.020)	75.8	217.31	3.0	0.05	2.96	164.73	2.9	197,495,256	21,724,478
																Total (2019-2029)	**$198,891,834**

HVS

FIGURE 1-4 TOT REVENUE FORECAST AT 12% TAX RATE

	Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Market Change (%)	% Point Discount	Applied Change %	Occupancy	Average Rate	Market Change (%)	% Point Discount	Applied Change %	RevPAR	Change	Total Rooms Revenue	Tax Revenue @ 12%
	2018	2,696	983,932	—	728,637	—	—	—	74.1	$180.70	—	—	—	$133.81	—	$131,664,716	$13,166,472
Effective Year>	2019	2,909	1,061,760	7.91 %	780,359	7.1 %	0.04	7.098	73.5 %	185.96	3.0 %	0.09	2.91 %	136.67	2.1 %	145,114,261	17,413,711
	2020	3,229	1,178,637	11.01	773,659	(0.8)	0.04	(0.859)	65.6	191.37	3.0	0.09	2.91	125.62	(8.1)	148,054,922	17,766,591
	2021	3,285	1,198,933	1.72	730,516	(5.5)	0.04	(5.576)	60.9	172.06	(10.0)	0.09	(10.09)	104.84	(16.5)	125,692,965	15,083,156
	2022	3,285	1,198,933	0.00	805,503	10.3	0.04	10.265	67.2	171.91	0.0	0.09	(0.09)	115.49	10.2	138,470,678	16,616,481
	2023	3,285	1,198,933	0.00	846,229	5.1	0.04	5.056	70.6	182.07	6.0	0.09	5.91	128.51	11.3	154,069,003	18,488,280
	2024	3,285	1,198,933	0.00	877,789	3.8	0.04	3.730	73.2	187.36	3.0	0.09	2.91	137.18	6.7	164,465,686	19,735,882
	2025	3,285	1,198,933	0.00	896,012	2.1	0.04	2.076	74.7	192.82	3.0	0.09	2.91	144.10	5.0	172,765,207	20,731,825
	2026	3,285	1,198,933	0.00	907,131	1.3	0.04	1.241	75.7	198.43	3.0	0.09	2.91	150.13	4.2	179,999,045	21,599,885
	2027	3,285	1,198,933	0.00	907,565	0.1	0.04	0.048	75.7	204.20	3.0	0.09	2.91	154.58	3.0	185,325,614	22,239,074
	2028	3,285	1,198,933	0.00	907,202	0.0	0.04	(0.040)	75.7	210.14	3.0	0.09	2.91	159.01	2.9	190,642,302	22,877,076
	2029	3,285	1,198,933	0.00	906,839	0.0	0.04	(0.040)	75.6	216.26	3.0	0.09	2.91	163.57	2.9	196,111,517	23,533,382
																Total (2019-2029)	**$216,085,344**

FIGURE 1-5 TOT REVENUE FORECAST AT 13% TAX RATE

	Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Market Change (%)	% Point Discount	Applied Change %	Occupancy	Average Rate	Market Change (%)	% Point Discount	Applied Change %	RevPAR	Change	Total Rooms Revenue	Tax Revenue @ 13%
	2018	2,696	983,932	—	728,637	—	—	—	74.1 %	$180.70	—	—	—	$133.81	—	$131,664,716	$13,166,472
Effective Year>	2019	2,909	1,061,760	7.9 %	780,213	7.1 %	0.06	7.078	73.5	185.88	3.0 %	0.14	2.87 %	136.59	2.1 %	145,023,719	18,853,083
	2020	3,229	1,178,637	11.0	773,358	(0.8)	0.06	(0.879)	65.6	191.20	3.0	0.14	2.87	125.46	(8.1)	147,868,009	19,222,841
	2021	3,285	1,198,933	1.7	730,077	(5.5)	0.06	(5.596)	60.9	171.82	(10.0)	0.14	(10.14)	104.63	(16.6)	125,444,877	16,307,834
	2022	3,285	1,198,933	0.0	804,874	10.3	0.06	10.245	67.1	171.59	0.0	0.14	(0.14)	115.19	10.1	138,110,070	17,954,309
	2023	3,285	1,198,933	0.0	845,407	5.1	0.06	5.036	70.5	181.66	6.0	0.14	5.87	128.09	11.2	153,573,239	19,964,521
	2024	3,285	1,198,933	0.0	876,767	3.8	0.06	3.710	73.1	186.86	3.0	0.14	2.87	136.65	6.7	163,833,187	21,298,314
	2025	3,285	1,198,933	0.0	894,793	2.1	0.06	2.056	74.6	192.21	3.0	0.14	2.87	143.45	5.0	171,991,830	22,358,938
	2026	3,285	1,198,933	0.0	905,719	1.3	0.06	1.221	75.5	197.72	3.0	0.14	2.87	149.37	4.1	179,079,545	23,280,341
	2027	3,285	1,198,933	0.0	905,971	0.1	0.06	0.028	75.6	203.39	3.0	0.14	2.87	153.69	2.9	184,261,438	23,953,987
	2028	3,285	1,198,933	0.0	905,427	0.0	0.06	(0.060)	75.5	209.21	3.0	0.14	2.87	158.00	2.8	189,426,804	24,625,485
	2029	3,285	1,198,933	0.0	904,884	0.0	0.06	(0.060)	75.5	215.21	3.0	0.14	2.87	162.43	2.8	194,736,969	25,315,806
																Total (2019-2029)	**$233,135,459**

FIGURE 1-6 TOT REVENUE FORECAST AT 14% TAX RATE

	Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Market Change (%)	% Point Discount	Applied Change %	Occupancy	Average Rate	Market Change (%)	% Point Discount	Applied Change %	RevPAR	Change	Total Rooms Revenue	Tax Revenue @ 14%
	2018	2,696	983,932	—	728,637	—	—	—	74.1 %	$180.70	—	—	—	$133.81	—	$131,664,716	$13,166,472
Effective Year>	2019	2,909	1,061,760	7.9 %	780,067	7.1 %	0.08	7.058	73.5	185.80	3.0 %	0.18	2.82	136.50	2.0 %	144,933,201	20,290,648
	2020	3,229	1,178,637	11.0	773,058	-0.8	0.08	(0.899)	65.6	191.04	3.0	0.18	2.82	125.30	(8.2)	147,681,264	20,675,377
	2021	3,285	1,198,933	1.7	729,639	-5.5	0.08	(5.616)	60.9	171.59	(10.0)	0.18	(10.18)	104.42	(16.7)	125,197,184	17,527,606
	2022	3,285	1,198,933	0.0	804,245	10.3	0.08	10.225	67.1	171.28	0.0	0.18	(0.18)	114.89	10.0	137,750,264	19,285,037
	2023	3,285	1,198,933	0.0	844,585	5.1	0.08	5.016	70.4	181.25	6.0	0.18	5.82	127.68	11.1	153,078,885	21,431,044
	2024	3,285	1,198,933	0.0	875,746	3.8	0.08	3.690	73.0	186.36	3.0	0.18	2.82	136.12	6.6	163,202,887	22,848,404
	2025	3,285	1,198,933	0.0	893,576	2.1	0.08	2.036	74.5	191.61	3.0	0.18	2.82	142.81	4.9	171,221,630	23,971,028
	2026	3,285	1,198,933	0.0	904,308	1.3	0.08	1.201	75.4	197.02	3.0	0.18	2.82	148.60	4.1	178,164,405	24,943,017
	2027	3,285	1,198,933	0.0	904,379	0.1	0.08	0.008	75.4	202.57	3.0	0.18	2.82	152.81	2.8	183,202,983	25,648,418
	2028	3,285	1,198,933	0.0	903,655	0.0	0.08	(0.080)	75.4	208.29	3.0	0.18	2.82	156.99	2.7	188,218,611	26,350,606
	2029	3,285	1,198,933	0.0	902,932	0.0	0.08	(0.080)	75.3	214.16	3.0	0.18	2.82	161.29	2.7	193,371,555	27,072,018
																Total (2019-2029)	**$250,043,202**

2. Tax Rates in Northern California

Transient Occupancy Tax

Transient occupancy taxes are typically levied as a percentage of value on short-term overnight stays (fewer than 30 nights) at hotels, motels, bed-and-breakfasts, and other lodging accommodations. In California, the authority to levy TOT is granted to both cities and counties.[1] Since the 1970s, hotel taxes have become commonplace throughout the nation. In both small suburban cities and destination markets, TOT have become a vital source of funding for economic development initiatives.[2]

In California, transient occupancy taxes are locally imposed on guests staying in hotels within the geographical borders of the municipality. Reportedly, more than 400 California cities, which is approximately 85% of all cities in California, have imposed a hotel tax.[3] In California, increasing or imposing a new transient occupancy tax must be considered at a general election and requires a majority vote to be approved. Historically, many cities and counties in California have approved increasing TOT. In 2018, the number of cities/counties in California with propositions to increase their TOT rate in their November 6, 2018, elections reached a record high since governments are looking for additional means of raising tax revenue; approximately 40 cities/counties proposed to increase occupancy tax on their November ballots. Milpitas is one of the cities that put a proposition on the ballot in the 2018 elections. The Milpitas Transient Occupancy Tax Measure, which proposed to “increase the maximum TOT paid by hotel guests from 10% up to as much as 14% maximum,” passed in the November 6 election. It is now up to city officials to determine the exact tax rate increase to be instituted.

A list of cities in Northern California with TOT increases on their November 2018 ballots is presented in the following table.

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[1]http://members.tahoemls.com/member_files/State%20Statute%20TOT%20and%20Key%20Tax%20Info.pdf

[2] HVS-Lodging-Tax-Report-USA

[3] https://ballotpedia.org/Hotel_taxes_in_California

CITIES IN NORTHERN CALIFORNIA WITH PASSED PROPOSITIONS TO INCREASE TOT ON 2018 BALLOT

County	Market	Previous Occupancy Tax %	Increased Occupancy Tax %	% Point Difference
Calaveras	Calaveras	6.0%	12.0%	6.0%
Santa Cruz	Capitola	10.0%	12.0%	2.0%
Santa Cruz	Scotts Valley	10.0%	11.0%	1.0%
Santa Cruz	Watsonville	11.0%	12.0%	1.0%
San Francisco	San Francisco	14.0%*	N/A	N/A
Marin	Sausalito	12.0%	14.0%	2.0%
Marin	West Marin	10.0%	14.0%	4.0%
Santa Clara	Los Altos	11.0%	14.0%	3.0%
Santa Clara	Palo Alto	14.0%	15.5%	1.5%
Santa Clara	Morgan Hill	10.0%	11.0%	1.0%
Santa Clara	Sunnyvale	10.5%	12.5%	2.0%
Santa Clara	Milpitas	10.0%	14.0%	4.0%
Monterey	Marina	12.0%	14.0%	2.0%
Monterey	Pacific Grove	10.0%	12.0%	2.0%
Glenn	Orland	10.0%	12.0%	2.0%
Napa	St. Helena	12.0%	13.0%	1.0%
Napa	Napa	12.0%	13.0%	1.0%
Napa	Yountville	12.0%	13.0%	1.0%
San Mateo	South San Francisco	10.0%	14.0%	4.0%
San Mateo	Belmont	10.0%	12.0%	2.0%
San Mateo	Colma		12.0%	12.0%
San Mateo	San Carlos	10.0%	12.0%	2.0%
San Mateo	Foster City	9.5%	12.0%**	2.5%
San Mateo	Daly City	10.0%	13.0%***	3.0%
Sonoma	Sebastopol	10.0%	12.0%	2.0%
Sonoma	Sonoma	10.0%	13.0%†	3.0%
San Joaquin	Manteca	9.0%	12.0%	3.0%

**Reallocating 1.5% of the existing 8% base hotel tax from the general fund to arts and cultural services*

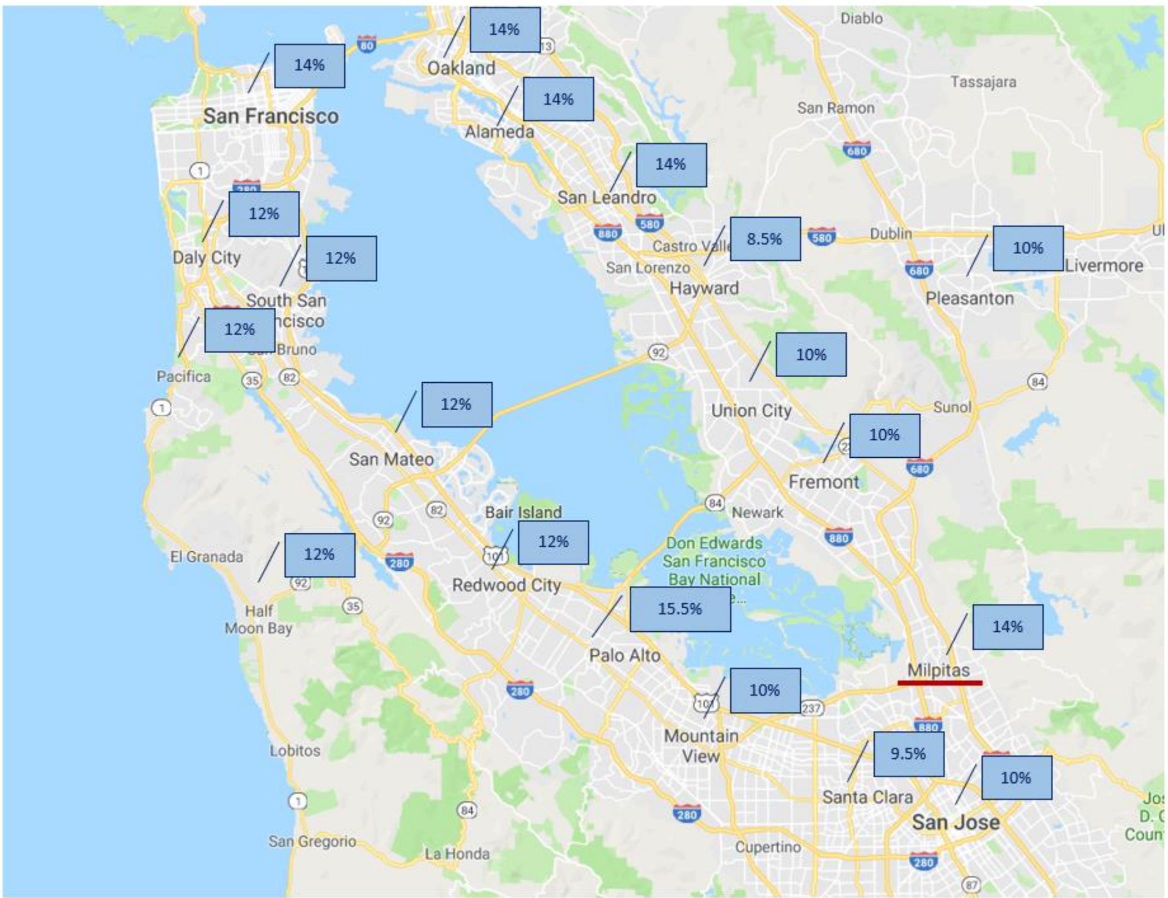
***This will be 11% on January 2019 and 12% on July 2019*

****This will be 12% in 2019 and 13% in 2020*

†This will be 12% in 2019 and 13% by 2024

In the San Francisco Bay Area TOT rates range from a low of 8.5% (10.5% including additional 2% emergency services facilities tax) in Hayward to a high of 15.5% in Palo Alto, as presented in the following map.

2019 OCCUPANCY TAX RATES IN NEARBY CITIES

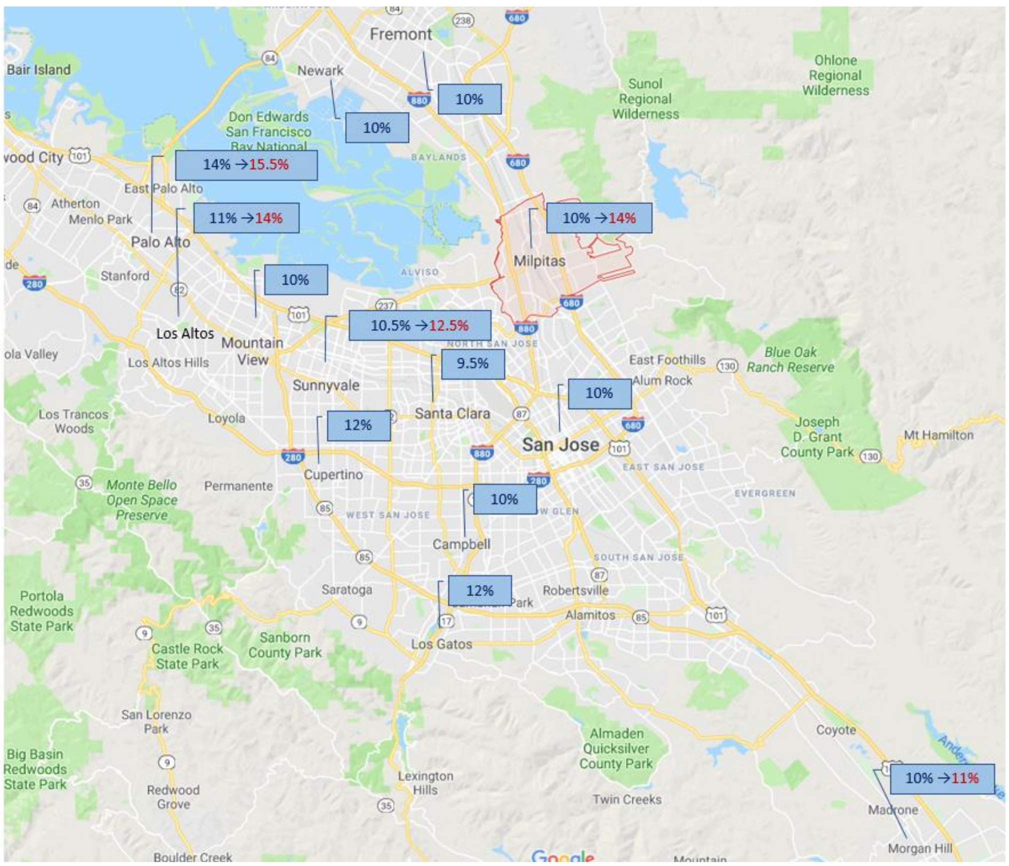


We note that TOT rate in South San Francisco will be 12% and 13% in 2019 and 2020, respectively; thereafter, the rate will be increased to and remain at 14%. Furthermore, TOT rate in Daly City will increase to 13% in 2020.

Additionally, TOT in San Jose is at 10%, but all hotels besides newly built ones in this city are subjected to additional 4% Convention Center Facilities District (CCFD) tax. Reportedly, newly built hotels eventually would opt into CCFD tax. Furthermore, hotels near the Levi's Stadium in Santa Clara are subjected to additional 2% of Community Facilities District (CFD) tax rate.

As reflected in the following map, five municipalities in the South Bay proposed to increase their TOT rates via proposition in the November election, which were all passed.

CURRENT AND PASSED OCCUPANCY TAX RATES IN NEARBY CITIES (NOVEMBER 2018)

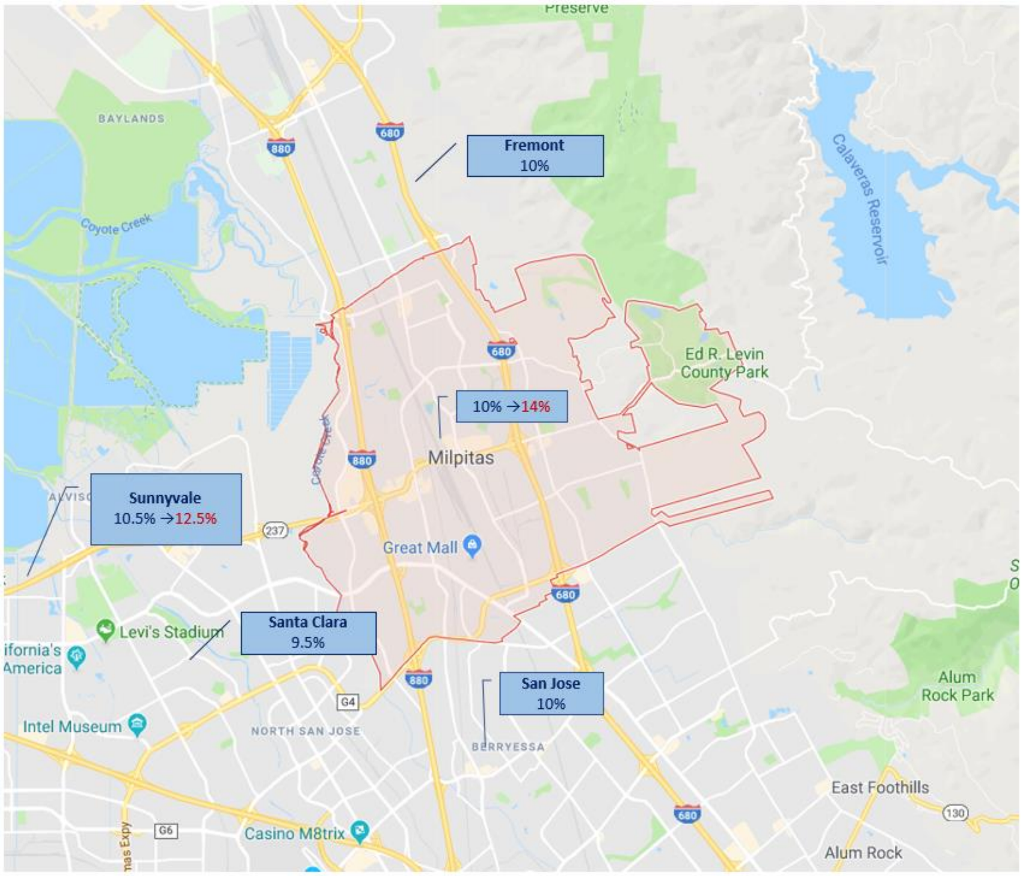


Current Tax Rate
Passed Tax Rate on November 2018 Ballot

It should be noted that hotels except for newly built ones in San Jose are subjected to additional 4% CCFD tax. Furthermore, hotels near the Levi's Stadium in Santa Clara are subjected to additional 2% of CFD tax rate.

One of the considerations in our study is the price elasticity of lodging demand; as the cost of overnight accommodations rises, the demand for transient lodging declines. We have seen evidence of this price elasticity in certain markets at certain times in the U.S. Consumers may forego their trips or stay at a hotel in a lower cost market as prices rise. The trend in price, as evidenced by hotel average daily room rates (ADR), and demand, as evidenced by the number of rooms occupied in a market, is tracked and reported by STR for hotel markets that we analyze around the U.S. We note that STR tracks supply and demand data for hotels and serves as the source for global data benchmarking and analytics for the lodging industry. Milpitas raises its TOT rate, and this in turn raises the total cost of overnight lodging accommodations. Then, the consumer will have the option of driving to stay in a hotel in an adjacent city with a lower TOT rate. As will be discussed later in this report, HVS has not found any evidence of price elasticity when it comes to increases in TOT in the greater San Francisco/San Jose market area. The tax rates of the three cities adjacent to Milpitas that a visitor could easily drive to when considering where to spend the night are set forth in the following map.

CURRENT AND PASSED OCCUPANCY TAX RATES IN ADJACENT AREAS (NOVEMBER 2018)



As mentioned above, TOT rate in San Jose is at 10%, but all hotels are subjected to additional 4% CCFD tax except for new hotels. Reportedly, the new hotels should opt into CCFD tax. Moreover, hotels near the Levi's Stadium in Santa Clara are subjected to additional 2% of CFD tax rate.

3. Market Analysis – Milpitas, California

A review of the local economy provides insight into the potential for future lodging demand. The city of Milpitas is located on the eastern edge of Silicon Valley, just north of San Jose. The South Bay is home to the largest concentration of technology expertise in the world, and its many high-technology engineering, computer, and microprocessor companies have led the area to be known as Silicon Valley. Following the aftermath of the dot-com bust, the region continued to draw technology companies and entrepreneurs to the area to boost research and innovation. Silicon Valley's economy had a slow recovery through mid-year 2008 when the Great Recession resulted in another contraction in the local economy. The San Francisco Bay Area economy began to recover rapidly in 2010 and has experienced tremendous growth since that time, primarily attributed to investment in all aspects of the high-tech industry.

Major Business and Industry

The economy of Milpitas, like that of other cities in Silicon Valley, is heavily dependent upon the high-technology industry. The following chart sets forth the major employers in the city.

FIGURE 3-1 MAJOR EMPLOYERS – MILPITAS (FISCAL YEAR 2016 – 2017)

Rank	Firm	Number of Employees
1	Cisco Systems, Inc.	3,647
2	KLA - Tencor Corporation	2,028
3	Flextronics International	2,000
4	Western Digital	1,952
5	Analog Devices	1,288
6	Milpitas Unified School District	865
7	Headway Technologies	682
8	FireEye, Inc.	680
9	Wal-Mart	389
10	Kaiser Permanente	335

Source: City of Milpitas, California Municipal Statistics, Inc.

We note that Western Digital acquired SanDisk in May 2016, and Analog Devices acquired Linear Technology Corporation in March 2017.

The following bullet points highlight major demand generators for this market:

- Major high-tech employers in Milpitas include Cisco Systems, KLA-Tencor, Western Digital, and Flex. The largest private employer in Milpitas is Cisco Systems, a major technology provider. According to the company's 2017 annual report, Cisco recorded revenue of $48 billion for the fiscal year, down slightly from the $48.7 billion recorded in the fiscal year ending 2016. The modest decline was largely driven by low product sales in recent years, which resulted in recent layoffs; the number of employees at Cisco Systems decreased by 750 from 2013 to 2017. Many other companies have offices in Milpitas, such as Tesla, View Inc., Lumentum, Integra Technologies, Aerohive Networks, Nanometrics, and Spectra Laboratories. Milpitas benefits from its location near technology corporation headquarters, as well as manufacturing facilities and companies. Furthermore, Tesla's presence throughout the Bay Area, including Fremont and Milpitas, has further supported the region. The Fremont facility is undergoing an expansion that began in 2017 and will nearly double its size from 5.3 million square feet to 9.9 million square feet in order to support the production of the Model 3.
- The economic strength of Milpitas is largely reflected by the overall economic strength of Silicon Valley. As this area is home to thousands of technology companies, investment and innovation in computer, computer software, and social media companies create a strong foundation. This region is recognized around the world for its contributions to the high-tech industry. The prevalence of biotech and high-tech firms, as well as emerging clean-tech companies, places Milpitas in advantageous positions for future economic development and growth. Furthermore, venture capital invested in state-of-the-art technology and infrastructure for such companies is an indication of investors' long-term confidence. Some of the major current and future developments in the area are summarized below.
- The greater Silicon Valley region is home to the headquarters of Google, Facebook, Apple, and Oracle. The largest employer for the Silicon Valley market is Apple, which completed its new $5 billion headquarters campus in Cupertino in April 2017. Google Inc. is another significant area employer, headquartered in nearby Mountain View. In June 2017, Google announced plans to develop a new campus near Downtown San Jose. The mixed-use development is anticipated to feature up to six million square feet of office, research and development, retail, residential, and amenity space near San Jose's Diridon Station. While construction is not expected to begin until 2025, the development is anticipated to create between 15,000 and 20,000 jobs. Google is additionally undergoing an expansion in Sunnyvale. Furthermore, both Facebook and LinkedIn have been expanding. Other companies with 1,000 employees or more that are based in the area include

Intel, Yahoo, Adobe Systems, BEA Systems, SunPower, Texas Instruments, and eBay, as well as major facilities for Applied Materials, Hewlett-Packard, IBM, and Hitachi.

- The area is home to several universities. San Jose State University (SJSU) was the founding campus for what has become the California State University system. The University, founded in 1862, is California's oldest public university. Located on 154 acres in Downtown San Jose, SJSU offers 145 areas of study; it is consistently ranked as a top public university by *U.S. News & World Report*. The campus continues to undergo expansion and renovation, including an 850-bed student residence hall, a new student recreation and aquatic center, and the Interdisciplinary Science Building. These projects, totaling an investment of $412.5 million, are in varying planning and completion stages. In addition, Stanford University is a private university located in northwest Santa Clara Valley. Stanford is organized into seven academic schools with a student body of approximately 7,000 undergraduate and 9,300 graduate students. The university's academic reputation, eminent alumni, influence, and wealth have made it one of the most prestigious universities in the world.

Unemployment Statistics

The following table presents historical unemployment rates for the Milpitas market area.

FIGURE 3-2 UNEMPLOYMENT STATISTICS

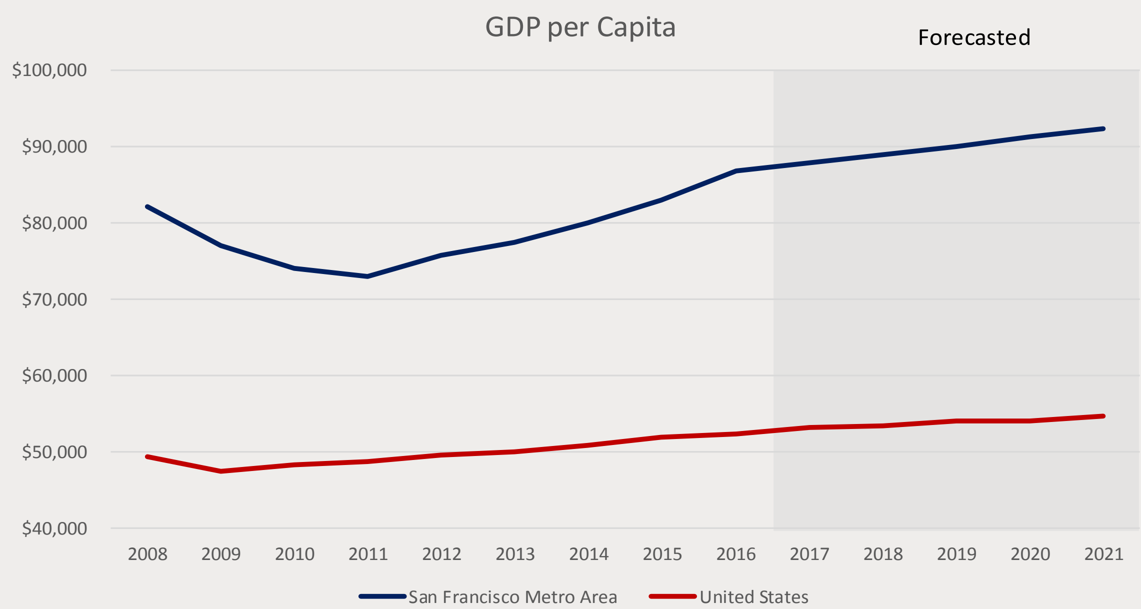
Year	City	MSA	State	U.S.
2008	6.2 %	6.1 %	7.3 %	5.8 %
2009	10.9	10.7	11.2	9.3
2010	9.8	10.5	12.2	9.6
2011	8.8	9.5	11.7	8.9
2012	7.4	8.0	10.4	8.1
2013	6.1	6.6	8.9	7.4
2014	4.8	5.3	7.5	6.2
2015	3.9	4.3	6.2	5.3
2016	4.2	3.9	5.5	4.9
2017	3.5	3.3	4.8	4.4
Recent Month - Aug				
2017	3.6 %	3.5 %	4.9 %	4.4 %
2018	2.7	2.7	4.3	3.9

Source: U.S. Bureau of Labor Statistics

Current U.S. unemployment levels are now firmly below the annual averages of the last economic cycle peak of 2006 and 2007, when annual averages were 4.6%. National unemployment registered 4.1% each month during the first quarter of 2018, as well as the last quarter of 2017, roughly six points below the October 2009 peak of 10.0%. In July, August, and September of 2018, the rate remained low at 3.9%, 3.9%, and 3.7%, respectively. Total nonfarm payroll employment increased by 165,000, 270,000, and 134,000 jobs in July, August, and September of 2018, respectively. Gains in August occurred in the professional and business services, health care, transportation, and warehousing sectors. Unemployment has remained under the 5.0% mark since May 2016, reflecting a trend of relative stability and the overall strength of the U.S. economy. The unemployment rate fell to a 48-year low in September.

Unemployment rose in 2008 as the region entered an economic slowdown, and this trend continued through 2009 as the height of the national recession took hold. However, unemployment declined in 2010 as the economy rebounded, a trend that continued through 2016. The most recent comparative period illustrates further improvement, indicated by the lower unemployment rate in the latest available data for 2018. The overall strength of the local economy, especially within the high-technology sector and manufacturing industry, has supported the improving employment numbers. However, affordable housing continues to be a problem in the region, limiting additional economic growth.

FIGURE 3-3 GDP PER CAPITA



Source: Open Data Metwork (San Francisco Metro Area) and Trading Economics (United States)

GDP per capita is an effective measure to evaluate a country or region's standard of living. GDP per capita is defined as the value of all goods and services generated by a country or region subtracted by the value of the goods and services used up in production.

Since the Great Recession, GDP per capita has been increasing in the greater San Francisco area and United States. As shown in the preceding graph, the San Francisco Metro area has maintained a notably greater GDP per capita level for the last decade compared to the national figures. In 2016, the GDP per capita in the San Francisco metro area reached approximately $87,000 while the national GDP per capita was just above $52,000. Reportedly, the growth in GDP per capita in the San Francisco metro area through 2021 is expected to be slower than in recent years. However, the growth rates are still anticipated to outpace the nation's, which indicate the continuation of strengthening market conditions in the greater San Francisco Bay Area.

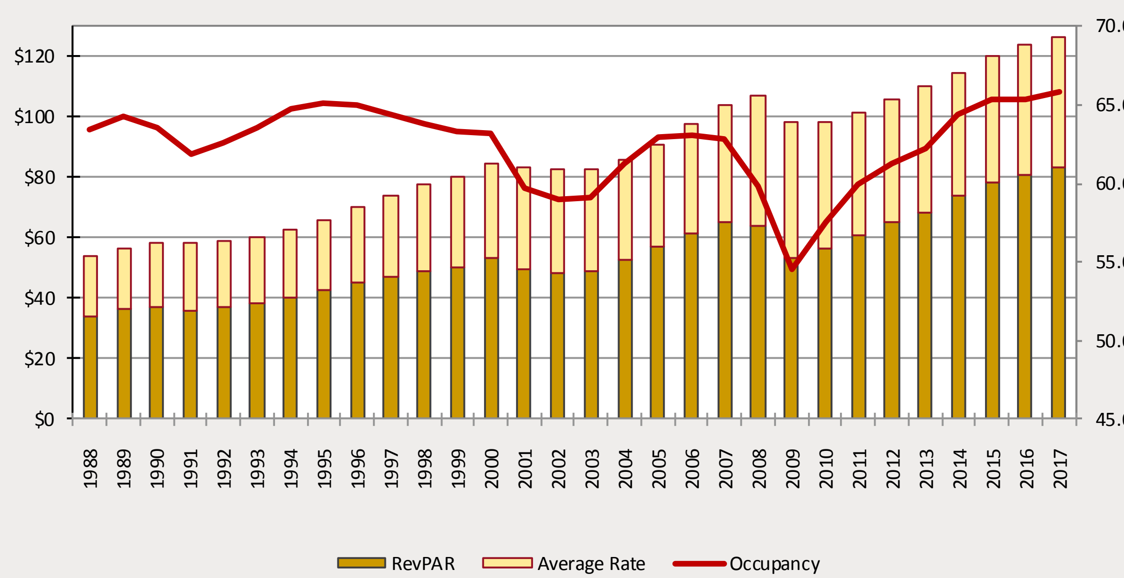
4. Supply and Demand Analysis

A supply and demand analysis was conducted to provide a basis for our forecast of TOT revenue to follow later in this report.

National Trends Overview

STR is an independent research firm that compiles data on the lodging industry, and this information is routinely used by typical hotel buyers. The following STR diagram presents annual hotel occupancy and average rate data since 1987. The next two tables contain information that is more recent; the data are categorized by geographical region, price point, type of location, and chain scale, and the statistics include occupancy, average rate, and rooms revenue per available room (RevPAR). RevPAR is calculated by multiplying occupancy by average rate and provides an indication of how well rooms revenue is being maximized.

FIGURE 4-1 NATIONAL OCCUPANCY, AVERAGE RATE, AND REVPAR TRENDS



Source: STR

FIGURE 4-2 NATIONAL OCCUPANCY AND ADR TRENDS – YEAR-TO-DATE DATA

	Occupancy - YTD September			ADR - YTD September			RevPAR - YTD September			Percent Change	
	2017	2018	% Change	2017	2018	% Change	2017	2018	% Change	Rms. Avail.	Rms. Sold
United States	67.3 %	67.7 %	0.5 %	$127.13	$130.37	2.5 %	$85.60	$88.22	3.1 %	2.0 %	2.5 %
Region											
New England	65.6 %	67.0 %	2.0 %	$156.10	$158.44	1.5 %	$102.44	$106.11	3.6 %	2.0 %	4.1 %
Middle Atlantic	69.0	70.8	2.7	157.73	161.28	2.2	108.83	114.25	5.0	2.4	5.1
South Atlantic	69.1	69.2	0.2	124.56	127.90	2.7	86.11	88.56	2.8	1.7	1.9
E. North Central	63.1	63.4	0.5	110.14	112.90	2.5	69.49	71.57	3.0	2.0	2.5
E. South Central	63.0	63.0	0.0	98.20	100.87	2.7	61.82	63.53	2.8	2.1	2.1
W. North Central	59.8	59.6	(0.4)	98.48	100.21	1.7	58.93	59.70	1.3	2.1	1.7
W. South Central	63.1	64.0	1.4	100.05	102.83	2.8	63.09	65.77	4.3	2.7	4.1
Mountain	68.3	68.2	(0.1)	119.84	120.72	0.7	81.82	82.33	0.6	1.6	1.5
Pacific	75.7	75.5	(0.3)	164.40	170.54	3.7	124.52	128.84	3.5	1.9	1.6
Class											
Luxury	72.0 %	72.7 %	1.0 %	$283.80	$291.40	2.7 %	$204.21	$211.82	3.7 %	2.3 %	3.4 %
Upper-Upscale	74.2	74.2	0.1	181.62	185.28	2.0	134.78	137.57	2.1	2.3	2.3
Upscale	73.7	73.8	0.4	141.90	144.76	2.0	104.61	106.82	2.1	4.5	4.6
Upper-Midscale	69.2	69.4	0.2	116.34	118.36	1.7	80.55	82.15	2.0	3.8	4.1
Midscale	62.2	62.5	0.4	94.60	96.92	2.4	58.86	60.52	2.8	0.4	0.8
Economy	59.9	60.4	0.7	72.07	74.11	2.8	43.20	44.76	3.6	(0.4)	0.3
Location											
Urban	74.6 %	74.6 %	0.0 %	$176.36	$180.90	2.6 %	$131.60	$135.01	2.6 %	3.2 %	3.2 %
Suburban	68.4	68.5	0.1	108.94	111.44	2.3	74.47	76.28	2.4	2.3	2.5
Airport	74.9	75.3	0.5	116.81	119.29	2.1	87.51	89.85	2.7	1.6	2.2
Interstate	58.6	59.3	1.2	85.62	87.55	2.3	50.19	51.93	3.5	1.6	2.8
Resort	71.5	72.0	0.7	175.07	181.43	3.6	125.11	130.56	4.4	1.0	1.7
Small Town	58.9	59.6	1.1	104.13	106.21	2.0	61.34	63.27	3.1	1.4	2.5
Chain Scale											
Luxury	74.6 %	75.5 %	1.1 %	$320.16	$332.19	3.8 %	$239.00	$250.76	4.9 %	2.1 %	3.3 %
Upper-Upscale	75.5	75.5	0.0	182.12	185.97	2.1	137.56	140.48	2.1	2.5	2.5
Upscale	75.1	75.0	(0.1)	140.72	143.52	2.0	105.63	107.64	1.9	5.5	5.4
Upper-Midscale	69.4	69.4	0.1	113.92	115.82	1.7	79.05	80.42	1.7	4.1	4.2
Midscale	61.5	61.7	0.3	87.91	89.83	2.2	54.08	55.44	2.5	0.9	1.2
Economy	59.4	59.8	0.6	63.01	64.59	2.5	37.44	38.63	3.2	(0.4)	0.2
Independents	64.3	64.9	0.8	127.08	130.47	2.7	81.77	84.63	3.5	0.4	1.2

Source: STR - September 2018 Lodging Review

FIGURE 4-3 NATIONAL OCCUPANCY AND ADR TRENDS – CALENDAR YEAR DATA

	Occupancy			Average Rate			RevPAR			Percent Change	
	2016	2017	% Change	2016	2017	% Change	2016	2017	% Change	Rms. Avail.	Rms. Sold
United States	65.4 %	65.9 %	0.9 %	$124.13	$126.72	2.1 %	$81.15	$83.57	3.0 %	1.8 %	2.7 %
Region											
New England	64.1 %	64.8 %	1.1 %	$151.20	$153.78	1.7 %	$96.96	$99.67	2.8 %	1.5 %	2.6 %
Middle Atlantic	67.2	67.8	0.9	163.54	162.88	(0.4)	109.91	110.50	0.5	2.8	3.8
South Atlantic	67.1	68.0	1.4	119.92	123.40	2.9	80.45	83.91	4.3	1.5	2.9
E. North Central	61.0	61.4	0.5	108.32	109.53	1.1	66.12	67.20	1.6	1.9	2.4
E. South Central	61.3	61.5	0.3	94.88	98.23	3.5	58.15	60.37	3.8	1.9	2.2
W. North Central	59.0	58.0	(1.7)	96.10	97.47	1.4	56.71	56.54	(0.3)	1.4	(0.3)
W. South Central	61.4	62.5	1.9	98.73	100.32	1.6	60.57	62.70	3.5	3.0	4.9
Mountain	65.3	66.3	1.6	114.36	118.51	3.6	74.63	78.61	5.3	1.1	2.8
Pacific	73.8	73.9	0.3	158.63	162.60	2.5	116.99	120.23	2.8	1.6	1.9
Class											
Luxury	70.8 %	71.0 %	0.3 %	$282.44	$286.27	1.4 %	$199.95	$203.28	1.7 %	2.1 %	2.4 %
Upper-Upscale	72.5	72.7	0.3	178.13	181.00	1.6	129.17	131.67	1.9	1.7	2.0
Upscale	71.9	72.4	0.7	139.04	141.20	1.6	100.03	102.28	2.3	4.3	5.0
Upper-Midscale	67.1	67.6	0.8	114.07	115.86	1.6	76.54	78.34	2.3	4.0	4.8
Midscale	59.8	60.5	1.2	92.16	94.36	2.4	55.07	57.07	3.6	0.2	1.5
Economy	58.4	58.9	0.9	69.79	71.95	3.1	40.74	42.36	4.0	(0.4)	0.5
Location											
Urban	73.1 %	73.5 %	0.7 %	$177.36	$178.94	0.9 %	$129.57	$131.61	1.6 %	3.1 %	3.8 %
Suburban	66.7	67.0	0.4	105.74	108.10	2.2	70.57	72.47	2.7	1.9	2.4
Airport	73.3	73.7	0.6	113.60	116.17	2.3	83.27	85.67	2.9	1.4	2.0
Interstate	56.5	57.2	1.3	83.14	85.04	2.3	46.97	48.67	3.6	1.5	2.9
Resort	68.4	69.6	1.8	169.02	173.57	2.7	115.60	120.88	4.6	0.9	2.7
Small Town	56.7	57.3	1.0	99.91	102.23	2.3	56.70	58.59	3.3	1.5	2.5
Chain Scale											
Luxury	73.8 %	74.0 %	0.3 %	$317.29	$323.74	2.0 %	$234.09	$239.54	2.3 %	1.6 %	1.9 %
Upper-Upscale	74.2	74.2	0.0	179.54	182.04	1.4	133.25	135.15	1.4	2.1	2.1
Upscale	73.7	73.8	0.1	138.28	140.19	1.4	101.97	103.45	1.5	6.0	6.1
Upper-Midscale	67.5	67.9	0.7	111.43	113.09	1.5	75.18	76.84	2.2	3.3	4.0
Midscale	59.3	60.0	1.2	85.23	86.99	2.1	50.53	52.17	3.3	1.3	2.4
Economy	57.7	58.1	0.6	60.86	62.48	2.7	35.14	36.28	3.2	0.1	0.7
Independents	62.0	62.9	1.4	123.00	126.49	2.8	76.27	79.56	4.3	0.0	1.5

Source: STR - December 2017 Lodging Review

Following the significant RevPAR decline experienced during the last recession, demand growth resumed in 2010. A return of business travel and some group activity contributed to these positive trends. The resurgence in demand was partly fueled by the significant price discounts that were widely available in the first half of 2010. These discounting policies were largely phased out in the latter half of the year, balancing much of the early rate loss. Demand growth remained strong, but decelerated from 2011 through 2013, increasing at rates of 4.7%, 2.8%, and 2.0%, respectively. Demand growth then surged to 4.0% in 2014, driven by a strong economy, a robust oil and gas sector, and limited new supply, among other factors. By 2014, occupancy had surpassed the 64% mark. Average rate rebounded similarly during this time, bracketing 4.0% annual gains from 2011 through 2014.

In 2015, demand growth continued to outpace supply growth, a relationship that has been in place since 2010. With a 2.9% increase in room nights, the nation's occupancy level reached a record high of 65.4% in 2015. Supply growth intensified modestly in 2015 (at 1.1%), following annual supply growth levels of 0.7% and 0.9% in 2013 and 2014, respectively. Average rate posted another strong year of growth, at 4.7% in 2015, in pace with the annual growth of the last four years. Robust job growth, heightened group and leisure travel, and waning price-sensitivity all contributed to the gains. In 2016, occupancy showed virtually no change as demand growth kept pace with supply additions. Occupancy then moved even higher in 2017, to a new peak of 65.9%. Average rate increased roughly 3.0% and 2.0% in 2016 and 2017, respectively. By year-end 2017, the net change in RevPAR was 3.0%, reflecting a healthy lodging market overall. Year-to-date statistics through September reflect a 0.4-point occupancy increase, while average rate increased by just over $3.00, resulting in a 3.1% upward change in RevPAR.

San Francisco-San Mateo, CA Lodging Market

According to STR, as of December 31, 2017, the greater San Francisco-San Mateo, CA area had 397 hotels with a total of 52,411 guestrooms; these totals represent a 1.7% change over the 2016 year-end inventory of 51,552 guestrooms. The following table presents the historical occupancy, average rate, and RevPAR data for the San Francisco-San Mateo metropolitan area for the years 2000 through 2017, as well as for the comparative year-to-date periods ending in September 2017 and 2018.

FIGURE 4-4 SAN FRANCISCO-SAN MATEO LODGING MARKET DATA – 2000 TO YTD SEPTEMBER 2018

Year	Occupancy	Percent Change	Average Rate	Percent Change	RevPAR	Percent Change
2000	80.9 %	—	$149.56	—	$120.99	—
2001	64.7	(20.0) %	143.73	(3.9) %	92.99	(23.1) %
2002	62.1	(4.0)	123.36	(14.2)	76.61	(17.6)
2003	62.6	0.8	116.92	(5.2)	73.19	(4.5)
2004	68.0	8.6	117.96	0.9	80.21	9.6
2005	71.5	5.1	124.88	5.9	89.29	11.3
2006	72.9	2.0	137.91	10.4	100.54	12.6
2007	75.2	3.2	148.59	7.7	111.74	11.1
2008	75.0	(0.3)	156.34	5.2	117.26	4.9
2009	71.6	(4.5)	133.60	(14.5)	95.66	(18.4)
2010	75.2	5.0	135.97	1.8	102.25	6.9
2011	79.0	5.1	155.14	14.1	122.56	19.9
2012	80.4	1.8	171.72	10.7	138.06	12.6
2013	83.0	3.2	187.79	9.4	155.87	12.9
2014	84.1	1.3	207.81	10.7	174.77	12.1
2015	84.4	0.4	222.37	7.0	187.68	7.4
2016	84.3	(0.1)	230.82	3.8	194.58	3.7
2017	82.8	(1.8)	229.24	(0.7)	189.81	(2.5)
Year to date through September						
2017	84.4 %		$229.31		$193.54	
2018	83.7	(0.8) %	243.34	6.1 %	203.68	5.2 %
Average Annual Compound Growth						
2000 to 2017		0.1 %		2.5 %		2.7 %

Source: STR Global, STR Monthly Hotel Review

The San Francisco Bay Area continues to be one of the strongest lodging markets in the U.S. owing to its robust economy, designation as a top-tier travel destination, and limited supply growth. The Bay Area's diversified economy has been led by the technology sector, which has entrenched itself throughout the Bay Area, driving continued employment gains. GDP increased by a robust 5.2% in 2016, more than three times the national average. Additionally, more venture capital has been attracted to San Francisco than any other city in the U.S. in recent years. Convention and tourism demand have also reached record levels. RevPAR has increased exponentially over the past several years, mainly driven by double-digit average rate gains. In 2016, occupancy remained flat and average rate grew at a more modest pace, registering the lowest growth rates realized since 2009. As a result of the ongoing renovation and expansion of the Moscone Center, as well as the openings of the Hotel VIA and Proper Hotel, both occupancy and average rate declined in 2017. Year-to-date data through June 2018 reflect a continued softening in occupancy, but improvements in average rate; local hoteliers continue to work together to book in-house groups that will help lessen the impact of the convention center renovation project. The long-term outlook for this market continues to be highly positive because of the benefits accruing from an expanded convention center that will be completed in 2019, the completion of a number of infrastructure and commercial office developments in 2019 and 2020, continued employment gains, and subdued increases in lodging supply.

Supply and Demand Trends - Milpitas

HVS ordered and analyzed an STR Trend Report of historical supply and demand data for the subject market, which is defined as the City of Milpitas. This information is presented in the following table, along with the market-wide occupancy, average rate, and RevPAR. The data reflect the performance of 15 hotels totaling 2,347 rooms within the city limits. Four hotels with 247 rooms that do not report to STR are not included in the statistics. In addition, the data does not capture taxable revenue that may be generated by other forms of transient lodging in the city.

FIGURE 4-5 HISTORICAL SUPPLY AND DEMAND TRENDS (STR) - MILPITAS

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
1997	1,326	483,940	—	391,643	—	80.9 %	$104.89	—	$84.89	—
1998	1,603	584,994	20.9 %	452,096	15.4 %	77.3	117.27	11.8 %	90.63	6.8 %
1999	2,022	737,951	26.1	518,411	14.7	70.3	123.02	4.9	86.42	(4.6)
2000	2,205	804,825	9.1	664,791	28.2	82.6	133.07	8.2	109.92	27.2
2001	2,322	847,544	5.3	563,124	(15.3)	66.4	133.72	0.5	88.85	(19.2)
2002	2,372	865,813	2.2	541,567	(3.8)	62.6	104.17	(22.1)	65.16	(26.7)
2003	2,438	889,870	2.8	506,282	(6.5)	56.9	95.53	(8.3)	54.35	(16.6)
2004	2,438	889,870	0.0	558,467	10.3	62.8	89.25	(6.6)	56.01	3.1
2005	2,438	889,870	0.0	593,764	6.3	66.7	89.82	0.6	59.93	7.0
2006	2,438	889,870	0.0	636,840	7.3	71.6	98.02	9.1	70.15	17.0
2007	2,438	889,870	0.0	644,115	1.1	72.4	108.64	10.8	78.64	12.1
2008	2,438	889,870	0.0	618,989	(3.9)	69.6	115.51	6.3	80.35	2.2
2009	2,438	889,870	0.0	539,257	(12.9)	60.6	93.53	(19.0)	56.68	(29.5)
2010	2,438	889,870	0.0	653,357	21.2	73.4	93.29	(0.3)	68.49	20.8
2011	2,438	889,870	0.0	677,101	3.6	76.1	101.40	8.7	77.16	12.7
2012	2,438	889,870	0.0	680,983	0.6	76.5	113.50	11.9	86.86	12.6
2013	2,438	889,870	0.0	677,332	(0.5)	76.1	131.14	15.5	99.82	14.9
2014	2,438	889,870	0.0	698,118	3.1	78.5	146.33	11.6	114.80	15.0
2015	2,438	889,870	0.0	699,223	0.2	78.6	168.14	14.9	132.12	15.1
2016	2,438	889,870	0.0	682,533	(2.4)	76.7	179.50	6.8	137.68	4.2
2017	2,438	889,778	(0.0)	690,981	1.2	77.7	179.79	0.2	139.62	1.4
2017/18	2,437	889,505	(0.0)	676,674	(2.1)	76.1	186.73	3.9	142.05	1.7
Year-to-Date Through September										
2017	2,438	665,574	—	526,744	—	79.1 %	$180.61	—	$142.93	—
2018	2,437	665,301	(0.0) %	512,437	(2.7) %	77.0	189.79	5.1 %	146.18	2.3 %
Average Annual Compounded Change:										
1997 - 2017			3.1 %		2.9 %			2.7 %		2.5 %
1997 - 2008			5.7		4.2			0.9		(0.5)
2008 - 2011			(0.0)		3.0			(4.2)		(1.3)
2011 - 2017			(0.0)		0.3			10.0		10.4

Hotels Included in Sample	Class	Number of Rooms	Year Affiliated	Year Opened
Sonesta Silicon Valley San Jose	Upscale Class	236	Dec 2016	Jun 1983
Best Western Plus Brookside Inn	Upper Midscale Class	78	May 2011	Jun 1985
Days Inn San Jose Milpitas	Economy Class	123	Dec 2005	Jan 1987
Crowne Plaza San Jose Silicon Valley	Upscale Class	304	Jan 1999	Jun 1987
Embassy Suites Milpitas Silicon Valley	Upper Upscale Class	266	Dec 1995	Nov 1987
Sheraton Hotel San Jose	Upper Upscale Class	229	Apr 1988	Apr 1988
Extended Stay America San Jose Milpitas McCarthy Ranch	Economy Class	161	Apr 2012	Feb 1997
Residence Inn Milpitas Silicon Valley	Upscale Class	120	Nov 1997	Nov 1997
Extended Stay America San Jose Milpitas	Economy Class	146	Jan 1998	Jan 1998
Larkspur Landing Milpitas	Upscale Class	124	Jan 2005	Nov 1998
Hilton Garden Inn San Jose Milpitas	Upscale Class	161	Mar 1999	Mar 1999
TownePlace Suites Milpitas	Upper Midscale Class	142	May 1999	May 1999
Courtyard Milpitas	Upscale Class	155	Jul 1999	Jul 1999
Hampton Inn Milpitas	Upper Midscale Class	93	Jan 2001	Jan 2001
Staybridge Suites Hotel Silicon Valley Milpitas	Upscale Class	99	Dec 2004	Sep 2002
	Total	**2,437**		

Source: STR

It is important to note some limitations of the STR data. Hotels are occasionally added to or removed from the sample; furthermore, not every property reports data in a consistent and timely manner. These factors can influence the overall quality of the information by skewing the results, and these inconsistencies may also cause the STR data to differ from the results of our competitive survey. Nonetheless, STR data provides the best indication of aggregate growth or decline in existing supply and demand; thus, these trends have been considered in our analysis. Opening dates, as available, are presented for each reporting hotel in the previous table.

We note that the Heritage Inn, Americas Best Value Inn, Executive Inn, and Baymont Inn & Suites in Milpitas historically have not reported to STR. Therefore, the four non-reporting properties have been excluded from the historical supply and demand analysis. However, we note that the four hotels are considered in our revenue forecast in the following chapter.

During the illustrated historical period, occupancy first peaked in 2000; average rate peaked in 2001 before declining to a low point of roughly $54 by year-end 2003. We note that the city of Milpitas increased TOT by 2% in 2000; however, we note that the decline in RevPAR thereafter is largely attributed to the recession rather than the increase in TOT. A slow recovery began in 2010 following the economic challenges experienced in 2008 and 2009. As new supply was absorbed by the market, RevPAR exceeded 2008 levels, with notable growth from 2010 through 2016, driven largely by expanding and new major technology and manufacturing companies within the greater Silicon Valley area. Market occupancy remained relatively stable in the high-70% levels between 2014 and 2016. However, the entrance of new supply in the greater market area in late 2017 resulted in a contraction in occupancy in year-to-date 2018. In addition, major guestroom renovations that caused disruptions at the Larkspur Landing, Embassy Suites by Hilton, Sonesta Silicon Valley, and TownePlace Suites by Marriott in early 2018, coupled with the opening of the new Homewood Suites by Hilton in north San Jose in 2017, contributed to the latest trend. While numerous company expansions and projects bode well for the greater market, the continued entrance of new supply in the competitive submarket and region is expected to prolong the trend of occupancies and limit ADR growth. However, the opening of the new BART station in Milpitas in late 2019 and the anticipated long-term strength of the market should support the absorption of this new demand.

Furthermore, it is important to note that the demand growth rate has been limited in recent years given that the market has reached peak occupancy levels. As shown in the following chart, days of the week with occupancy above 80% are marked in yellow, 85% in orange, and 90% in red. In general, markets with occupancy over 80% indicate levels of unaccommodated demand. In our forecast, the new hotels in Milpitas are anticipated to serve this unaccommodated demand.

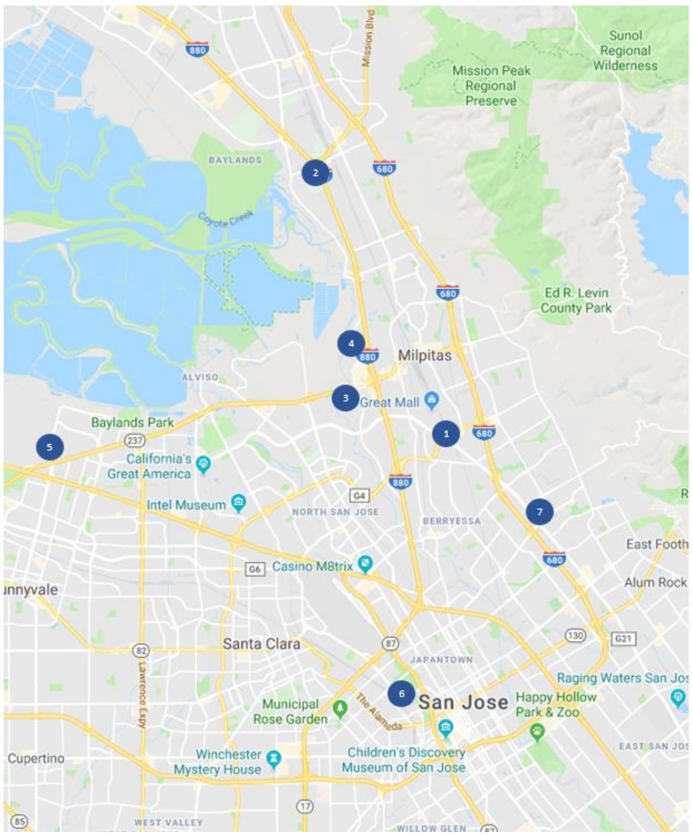
HVS

FIGURE 4-6 DAY OF WEEK ANALYSIS

	Sun	Mon	Tue	Wed	Thu	Fri	Sat
Jan - 18	57.1	67.4	77.0	79.0	69.6	58.5	60.3
Feb - 18	56.1	76.1	84.6	83.7	71.0	58.2	61.6
Mar - 18	63.1	87.4	93.7	93.5	77.7	65.7	65.8
Apr - 18	64.2	83.3	90.1	90.2	79.0	66.2	71.9
May - 18	70.9	83.2	90.6	89.3	76.2	71.8	76.3
Jun - 18	67.1	88.8	95.7	94.2	80.5	74.3	74.6
Jul - 18	67.1	81.0	82.5	82.9	80.7	80.4	84.4
Aug - 18	65.6	82.6	88.6	85.2	76.7	76.7	84.1
Sep - 18	66.6	79.6	88.1	90.2	78.1	71.3	78.8
Oct - 17	67.0	86.7	92.5	96.2	83.2	77.3	83.0
Nov - 17	60.9	80.3	82.6	83.7	78.3	69.2	71.8
Dec - 17	54.9	66.6	69.1	67.7	57.6	54.8	57.7
Total Year	63.4	80.2	86.2	86.2	75.8	68.6	72.3

The following map represents notable development activities in the greater Milpitas region that are expected to generate additional lodging demand in the future.

NOTABLE DEVELOPMENTS IN MILPITAS AND ADJACENT CITIES



1. **Milpitas BART Station**
   A. Status: Under Construction
   B. Completion Year: Late 2019
2. **Expansion at Tesla**
   A. Status: Under Construction since 2017
   B. Project Description: Expanding its 5.3 million square feet of facility to 9.9 million to produce the Model 3
   C. Completion Year: TBD
3. **KLA-Tencor Expansion**
   A. Status: Planning
   B. Project Description: Expanding 24,000 square feet of amenity building within the existing campus
4. **McCarthy Creekside**
   1. Status: Under Construction
   2. Project Description: Adding six buildings totaling approximately 804,000 square feet of industrial office space
5. **Expansion at Google in Sunnyvale**
   A. Status: Application
   B. 400,199-square-foot, four-building complex
6. **Google's New Campus**
   A. Status: Planning
   B. Project Description: Mixed-use development anticipated to feature up to six million square feet of office, research and development, retail, residential, and amenity space, which is expected to create between 15,000 and 20,000 jobs
7. **San Jose Bart Station**
   A. Status: Under Construction
   B. Completion Year: Late 2019

Supply Changes

In preparing a forecast of TOT for the Milpitas market, the addition of new supply must be factored into our analysis. The following chart sets forth the hotels that have recently opened, are under construction, or are in the stages of early development in the Milpitas market.

FIGURE 4-7 NEW SUPPLY IN MILPITAS

Proposed Hotel Name	Estimated Number of Rooms	Hotel Product Tier	Development Stage	Expected Qtr. & Year of Opening	Address
SpringHill Suites by Marriott	124	Upscale	Under Construction	Spring 2019	1201 Cadillac Court, Milpitas
Holiday Inn & Suites Silicon Valley	129	Upper-Midscale	Under Construction	December 2018	1100 Cadillac Court, Milpitas
Element by Westin	194	Upscale	Approved	Summer 2019	East Tasman Drive & Barber Lane, Milpitas
Home2 Suites by Hilton	150	Upper-Midscale	Approved	December 2019	1301 California Circle, Milpitas
Virgin Hotel	250	Upscale	Early Development	Summer 2021	1315 McCandless Drive, Milpitas
Sonesta Silicon Valley (Expansion)	3	Upscale	Under Construction	Summer 2019	1820 Barber Lane, Milpitas
La Quinta Milpitas	129	Midscale	Early Development	December 2020	1000 Jacklin Road, Milpitas

NEW SUPPLY MAP

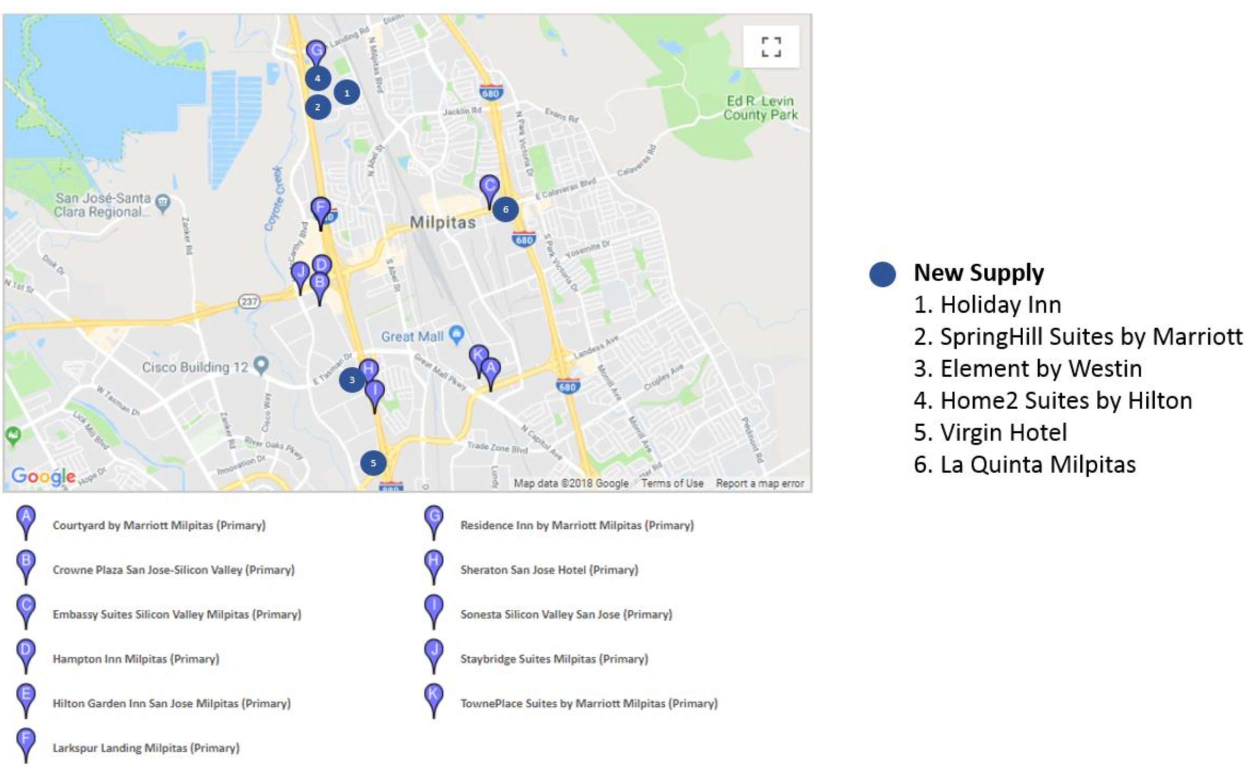


FIGURE 4-8 NEW SUPPLY CONSIDERED IN FORECAST

Proposed Property	Number of Rooms	Address/Location	Estimated Opening Date	Development Stage
Holiday Inn & Suites Silicon Valley	129	1100 Cadillac Court, Milpitas	December 1, 2018	Under Construction
SpringHill Suites by Marriott	124	1201 Cadillac Court, Milpitas	April 1, 2019	Under Construction
Sonesta Silicon Valley (Expansion)	3	1820 Barber Lane, Milpitas	June 1, 2019	Under Construction
Element by Westin	194	East Tasman Drive & Barber Lane, Milpitas	March 1, 2020	Approved
Home2 Suites by Hilton	150	1301 California Circle, Milpitas	March 1, 2020	Approved
Totals/Averages	**600**			

The hotels listed in the preceding chart have been factored into our supply, demand, and TOT forecast. The Virgin hotel and La Quinta Inn & Suites have been excluded in our analysis because of their early stages of development.

Market Segmentation

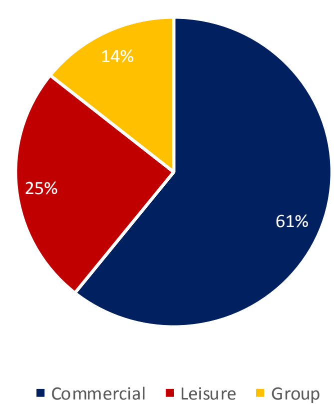
For the purpose of demand analysis, the overall market is divided into individual segments based on the nature of travel. Based on our fieldwork, area analysis, and knowledge of the local lodging market, we estimate the 2017 distribution of accommodated-room-night demand in Milpitas as follows.

FIGURE 4-9 ACCOMMODATED-ROOM-NIGHT DEMAND

	Marketwide	
Market Segment	**Accommodated Demand**	**Percentage of Total**
Commercial	453,195	61 %
Leisure	186,533	25
Group	106,405	14
Total	**746,132**	**100 %**

According to the STR segmentation report, group demand comprises approximately 19% of lodging demand. However, the segmentation report only reflects data for hotels that provide segmentation information to STR. We note that most of the properties that report segmentation data in Milpitas are full- or select-service hotels with meeting spaces. It should be noted that limited-service properties tend to benefit less from group demand; therefore, we have lowered the market-wide percentage of group demand. Detailed data on segmentation can be found in the addendum.

FIGURE 4-10 MARKET-WIDE ACCOMMODATED-ROOM-NIGHT DEMAND



The market's demand mix is dominated by commercial demand, with this segment representing roughly 61% of the accommodated room nights in this Milpitas submarket. The remaining portion comprises leisure at 25%, with the final portion group in nature, reflecting 14%. Below are further discussions of these segments:

Commercial Segment

Commercial demand consists mainly of individual businesspeople passing through the subject market or visiting area businesses, in addition to high-volume corporate accounts generated by local firms. Brand loyalty (particularly frequent-traveler programs), as well as location and convenience with respect to businesses and amenities, influence lodging choices in this segment. Companies typically designate hotels as "preferred" accommodations in return for more favorable rates, which are discounted in proportion to the number of room nights produced by a commercial client. Commercial demand is strongest Monday through Thursday nights, declines significantly on Friday and Saturday, and increases somewhat on Sunday night. It is relatively constant throughout the year, with marginal declines in late December and during other holiday periods.

A major factor considered in the development of our growth rates is the presence of major national and international high-tech companies in Milpitas and the Silicon Valley area. Companies including Cisco Systems, KLA-Tencor, Western Digital, and Flex provide significant room nights to the local hotels. In addition, the notable developments in the area will generate new lodging demand in Milpitas and surrounding cities.

Leisure Segment

Leisure demand consists of individuals and families spending time in an area or passing through en route to other destinations. Travel purposes include sightseeing, recreation, or visiting friends and relatives. Leisure demand also includes room nights booked through Internet sites such as Expedia, Hotels.com, and Priceline; however, leisure may not be the purpose of the stay. This demand may also include business travelers and group and convention attendees who use these channels to take advantage of any discounts that may be available on these sites. Leisure demand is strongest Friday and Saturday nights, and all week during holiday periods and the summer months. These peak periods represent the inverse of commercial visitation trends, underscoring the stabilizing effect of capturing weekend and summer tourist travel. Future leisure demand is related to the overall economic health of the region and the nation. Trends showing changes in state and regional unemployment and disposable personal income correlate strongly with leisure travel levels.

Leisure demand consists primarily of travelers visiting friends and family or passing through the area en route to San Francisco or other California destinations, such as the San Francisco Bay, California's Great America theme park, and the Great Mall. Moreover, the local market benefits from the Levi's Stadium in Santa Clara, which is home to the San Francisco 49ers.

Group Segment

In the limited-service sector, group demand is most commonly generated by groups that require 10 or more room nights but need little to no meeting space within the hotel. Examples of these groups include family reunions, sports teams, and bus tours. In some markets, limited-service hotels may also accommodate demand from groups or individuals attending events at the local convention center or at one of the larger convention hotels in the area.

The presence of many multinational corporations and significant regional corporate operations in Silicon Valley fuels the majority of group demand in this area. Group demand within this market is also created by events held at full-service hotels in the area and the San Jose McEnery Convention Center. Additional demand also includes SMERF (social, military, education, religious and fraternal) groups and tour and travel groups visiting the San Francisco Bay Area. These groups help local hotels sustain occupancy levels during weekends and seasonally soft demand periods.

Accommodated Demand and Market-wide Occupancy

Based upon a review of the market dynamics in the market's environment, we forecast growth rates for each market segment. Using the calculated potential demand for the market, we determined market-wide accommodated demand based on the inherent limitations of demand fluctuations and other factors in the market area. The following table details our projection of lodging demand growth for the subject market, including the total number of occupied room nights and any residual unaccommodated demand. This forecast assumes that the TOT rate remains at 10% throughout the projection period.

Additionally, we have applied an extraordinary assumption that the recession may commence in 2020 and affect market-wide demand through 2021. The impact of the forthcoming recession is anticipated to be relatively modest compared to the Great Recession, which began in 2008. The changes in demand levels during the previous recession were considered in our forecast. It should be noted that no new supply had entered Milpitas for the three years prior to the Great Recession, while Milpitas is anticipated to experience an 22% increase in supply from 2017 through 2021, which will certainly affect how the hotel market performs during a downturn.

FIGURE 4-11 FORECASTED GROWTH RATE

Total Demand During Previous Recession	2007	2008	2009	2010	2011
Total Demand	644,115	608,014	539,257	653,357	677,101
Overall Demand Growth		(5.6) %	(11.3) %	21.2 %	3.6 %

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Totals											
Base Demand	746,132	727,873	764,027	735,766	692,272	762,762	801,034	830,816	851,550	865,408	866,499
Unaccommodated Demand		41,812	44,491	42,425	39,121	44,002	46,841	49,020	50,420	51,381	51,405
Total Demand		769,686	808,517	778,192	731,393	806,763	847,875	879,836	901,970	916,789	917,903
less: Residual Demand		41,049	27,867	3,932	0	0	0	0	3,517	6,827	7,142
Total Accommodated Demand		728,637	780,650	774,260	731,393	806,763	847,875	879,836	898,453	909,962	910,761
Overall Demand Growth		(2.3) %	7.1 %	(0.8) %	(5.5) %	10.3 %	5.1 %	3.8 %	2.1 %	1.3 %	0.1 %
Existing Hotel Supply	2,685	2,685	2,685	2,685	2,685	2,685	2,685	2,685	2,685	2,685	2,685
Proposed Hotels											
Holiday Inn & Suites Silicon Valley [1]		11	129	129	129	129	129	129	129	129	129
SpringHill Suites by Marriott [2]			93	124	124	124	124	124	124	124	124
Sonesta Silicon Valley (Expansion) [3]			2	3	3	3	3	3	3	3	3
Element by Westin [4]				163	194	194	194	194	194	194	194
Home2 Suites by Hilton [5]				126	150	150	150	150	150	150	150
Available Room Nights per Year	979,933	983,932	1,061,760	1,178,637	1,198,933	1,198,933	1,198,933	1,198,933	1,198,933	1,198,933	1,198,933
Nights per Year	365	365	365	365	365	365	365	365	365	365	365
Total Supply	2,685	2,696	2,909	3,229	3,285	3,285	3,285	3,285	3,285	3,285	3,285
Rooms Supply Growth	—	0.4 %	7.9 %	11.0 %	1.7 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Marketwide Occupancy	**76.1 %**	**74.1 %**	**73.5 %**	**65.7 %**	**61.0 %**	**67.3 %**	**70.7 %**	**73.4 %**	**74.9 %**	**75.9 %**	**76.0 %**

[1] Opening in December 2018 of the 100% competitive, 129-room Holiday Inn & Suites Silicon Valley
[2] Opening in April 2019 of the 100% competitive, 124-room SpringHill Suites by Marriott
[3] Opening in June 2019 of the 100% competitive, 3-room Sonesta Silicon Valley (Expansion)
[4] Opening in March 2020 of the 100% competitive, 194-room Element by Westin
[5] Opening in March 2020 of the 100% competitive, 150-room Home2 Suites by Hilton

FIGURE 4-12 FORECASTED HOTEL PERFORMANCE IN MILPITAS

	Projected									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Occupancy	74.1 %	73.5 %	65.7 %	61.0 %	67.3 %	70.7 %	73.4 %	74.9 %	75.9 %	76.0 %
Change in Points	(2.1)	(0.5)	(7.8)	(4.7)	6.3	3.4	2.7	1.6	1.0	0.1
Average Rate	$180.70	$186.12	$191.70	$172.53	$172.53	$182.89	$197.52	$207.39	$213.61	$220.02
Change	3.0 %	3.0 %	3.0 %	(10.0) %	0.0 %	6.0 %	8.0 %	5.0 %	3.0 %	3.0 %
RevPAR	$133.81	$136.84	$125.93	$105.25	$116.10	$129.34	$144.95	$155.42	$162.13	$167.14
Change	0.2 %	2.3 %	(8.0) %	(16.4) %	10.3 %	11.4 %	12.1 %	7.2 %	4.3 %	3.1 %

	Previous Recession								
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Occupancy	72.4 %	69.6 %	60.6 %	73.4 %	76.1 %	76.5 %	76.1 %	78.5 %	78.6 %
Change in Points		(2.8)	(9.0)	12.8	2.7	0.4	(0.4)	2.3	0.1
Average Rate	$108.64	$115.51	$93.53	$93.29	$101.40	$113.50	$131.14	$146.33	$168.14
Change		6.9 %	(22.0) %	(0.2) %	8.1 %	12.1 %	17.6 %	15.2 %	21.8 %
RevPAR	$78.64	$80.35	$56.68	$68.49	$77.16	$86.86	$99.82	$114.80	$132.12
Change		2.2 %	(29.5) %	20.8 %	12.7 %	12.6 %	14.9 %	15.0 %	15.1 %

According to data from the previous recession, occupancy in Milpitas was affected in the first two years of the recession with a decline in average rate in the second year. We applied a similar trend to our forecast; with the underlying assumption of the forthcoming recession and entrance of new supply, occupancy is forecast to begin decreasing in 2020 and decline to 61.0% by year-end 2021. Although a relatively moderate decline in demand during the recession is anticipated, the overall decrease in occupancy in the first year of the recession is expected to be greater than it was in the Great Recession as a result of the new supply. Regardless, occupancy is anticipated to recover beginning in 2022 and increase to 74% by 2026.

The market should experience stable growth in average rate from 2019 through 2020, attributed to the overall strong economy in Milpitas. As noted above, the impact of the anticipated recession is expected to be relatively moderate; therefore, the average rate decline in the third year of the recession is anticipated to be less significant than the one during the Great Recession. As such, average rate is anticipated to decline by 10% in 2021 and be stable in 2022; average rate is anticipated to recover thereafter.

Based on the anticipated demand level presented previously, we have calculated tax revenue that would be generated if the TOT rate remains at 10% in the city of Milpitas.

FIGURE 4-13 TOT REVENUE FORECAST- TOT TAX RATE AT 10% BASELINE

	Year	Average Daily	Available Room	Change	Occupied Room	Change	Occupancy	Average Rate	Change	RevPAR	Change	Total Rooms Revenue	Tax Revenue @ 10%	Change
	2018	2,696	983,932	—	728,637	—	74.1 %	$180.70	—	$133.81	—	$131,664,716	$13,166,472	10.4 %
Effective Year>	2019	2,909	1,061,760	7.9 %	780,650	7.1 %	73.5	186.12	3.0 %	136.84	2.3 %	145,295,417	14,529,542	2.2
	2020	3,229	1,178,637	11.0	774,260	(0.8)	65.7	191.70	3.0	125.93	(8.0)	148,429,253	14,842,925	(15.0)
	2021	3,285	1,198,933	1.7	731,393	(5.5)	61.0	172.53	(10.0)	105.25	(16.4)	126,190,330	12,619,033	10.3
	2022	3,285	1,198,933	0.0	806,763	10.3	67.3	172.53	0.0	116.10	10.3	139,194,310	13,919,431	11.4
	2023	3,285	1,198,933	0.0	847,875	5.1	70.7	182.89	6.0	129.34	11.4	155,064,776	15,506,478	6.9
	2024	3,285	1,198,933	0.0	879,836	3.8	73.4	188.37	3.0	138.24	6.9	165,737,304	16,573,730	5.2
	2025	3,285	1,198,933	0.0	898,453	2.1	74.9	194.02	3.0	145.40	5.2	174,321,540	17,432,154	4.3
	2026	3,285	1,198,933	0.0	909,962	1.3	75.9	199.84	3.0	151.68	4.3	181,851,200	18,185,120	3.1
	2027	3,285	1,198,933	0.0	910,761	0.1	76.0	205.84	3.0	156.37	3.1	187,471,246	18,747,125	3.0
	2028	3,285	1,198,933	0.0	910,761	0.0	76.0	212.02	3.0	161.06	3.0	193,095,383	19,309,538	3.0
	2029	3,285	1,198,933	0.0	910,761	0.0	76.0	218.38	3.0	165.89	3.0	198,888,244	19,888,824	
												Total (2019-2029)	**$181,553,900**	

5. TOT Revenue Forecast

To determine the elasticity of demand by differing rates of TOT, we have investigated supply and demand in comparable markets that have increased their TOT tax rate in the last decade, as illustrated below. Markets where the majority of their lodging demand is generated by commercial travelers, as is the case in Milpitas, were selected for analysis.

FIGURE 5-1 COMPARABLE MARKETS

Market	Approved Year	Previous Occupancy Tax %	Increased Occupancy Tax %	% Point Difference
Sunnyvale	2013	9.5%	10.5%	1.0%
Campbell	2010	10.0%	12.0%	2.0%
Fremont	2008	8.0%	10.0%	2.0%
Oakland	2009	11.0%	14.0%	3.0%
El Segundo	2016	8.0%	12.0%	4.0%

Demand and average rate levels before and following the increase of TOT in the selected markets were studied; the STR supply, demand, occupancy, average rate, and RevPAR data for these markets during the periods of TOT rate increases are presented in the addendum of this report. In our evaluation of the data, no quantitative correlation between TOT rate increases and declines in demand was found. Thomas A. Hazinski, MPP, who authors the "HVS Lodging Tax Report" every year, which includes a broad range of cities and tracks policy trends in lodging tax impositions, was interviewed on the impact of TOT rates upon lodging demand for this study. According to Mr. Hazinski, no statistical correlation between lodging demand and TOT changes has been found in the course of his numerous tax studies over the past 20 years.

Nevertheless, our market interviews with hotel operators in cities that have increased their occupancy tax rate indicate that prudent consumers in some market segments consider TOT when reserving hotel rooms. Commercial travelers, which make up an estimated 61% of lodging demand generated in Milpitas, are the least impacted by increases in the TOT tax rate. Proximity to their business destination is their primary consideration when selecting a hotel; saving travel time is more important than saving money on TOT. These consumers are often on an expense account, which also lessens their sensitivity to TOT rates.

Leisure travelers, who comprise an estimated 25% of lodging demand in the Milpitas market, are more sensitive to the total cost of their lodging accommodations. Nonetheless, only a small percentage of leisure travelers take into consideration the TOT rate when booking their overnight accommodations as a result of the small differential between tax rates from city to city around the San Francisco Bay, and the various OTA (on-line travel agency) booking channels, which price rooms based on demand levels and lessen the transparency of tax rates.

The group meeting market segment, which comprise an estimated 14% of lodging demand in Milpitas, is the most affected by increases in the TOT rate. Meeting planners factor the total cost of lodging into their selection of a hotel/market for their meeting. This impact is most relevant in major cities with large full-service hotels and convention centers that compete with comparable markets for group meeting demand. Cities like Milpitas, which are primarily dependent upon commercial demand and have a limited supply of full-service hotels that can accommodate group meeting demand, are only slightly affected by increases in TOT rates. Additionally, hotel operators are inclined to leverage average rates to mitigate the impact of TOT to total fees paid by guests.

The STR supply, demand, and pricing data for the five comparable markets studied for this engagement indicated that increases in TOT tax did not affect lodging demand or pricing to any measurable degree. However, our interviews with local hotel sales managers and meeting planners indicated that some consumer resistance is in evidence when the TOT rate rises. Thus, in the absence of any statistical or quantitative conclusions regarding the impact of TOT upon lodging demand and pricing the consultants have qualitatively considered the impact of TOT increases on both demand and average rates in the city of Milpitas at five different TOT tax levels. Based on the mix of lodging demand in Milpitas and the tax rates of neighboring cities, we made modest reductions in lodging demand and average rate with each increase in the TOT rate, as shown in the following tables.

HVS

FIGURE 5-2 TOT REVENUE AT 11% TAX RATE

	Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Market Change (%)	% Point Reduction	Applied Change %	Occupancy	Average Rate	Market Change (%)	% Point Discount	Applied Change %	RevPAR	Change	Total Rooms Revenue	Tax Revenue @ 11%
	2018	2,696	983,932	—	728,637	—	—	—	74.1 %	$180.70	—	—	—	$133.81	—	$131,664,716	13,166,472
Effective Year>	2019	2,909	1,061,760	7.9 %	780,504	7.1 %	0.020	7.118	73.5	186.04	3.0 %	0.05	2.96	136.76	2.2 %	145,204,827	15,972,531
	2020	3,229	1,178,637	11.0	773,959	(0.8)	0.020	(0.839)	65.7	191.54	3.0	0.05	2.96	125.77	(8.0)	148,242,003	16,306,620
	2021	3,285	1,198,933	1.7	730,954	(5.5)	0.020	(5.556)	61.0	172.30	(10.0)	0.05	(10.05)	105.04	(16.5)	125,941,449	13,853,559
	2022	3,285	1,198,933	0.0	806,133	10.3	0.020	10.285	67.2	172.22	0.0	0.05	(0.05)	115.80	10.2	138,832,091	15,271,530
	2023	3,285	1,198,933	0.0	847,052	5.1	0.020	5.076	70.7	182.48	6.0	0.05	5.96	128.92	11.3	154,566,180	17,002,280
	2024	3,285	1,198,933	0.0	878,812	3.8	0.020	3.750	73.3	187.87	3.0	0.05	2.96	137.71	6.8	165,100,389	18,161,043
	2025	3,285	1,198,933	0.0	897,232	2.1	0.020	2.096	74.8	193.42	3.0	0.05	2.96	144.75	5.1	173,541,774	19,089,595
	2026	3,285	1,198,933	0.0	908,546	1.3	0.020	1.261	75.8	199.13	3.0	0.05	2.96	150.90	4.3	180,922,924	19,901,522
	2027	3,285	1,198,933	0.0	909,162	0.1	0.020	0.068	75.8	205.02	3.0	0.05	2.96	155.47	3.0	186,395,541	20,503,509
	2028	3,285	1,198,933	0.0	908,980	0.0	0.020	(0.020)	75.8	211.08	3.0	0.05	2.96	160.03	2.9	191,865,148	21,105,166
	2029	3,285	1,198,933	0.0	908,798	0.0	0.020	(0.020)	75.8	217.31	3.0	0.05	2.96	164.73	2.9	197,495,256	21,724,478
																Total (2019-2029)	**$198,891,834**

FIGURE 5-3 TOT REVENUE AT 12% TAX RATE

	Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Market Change (%)	% Point Discount	Applied Change %	Occupancy	Average Rate	Market Change (%)	% Point Discount	Applied Change %	RevPAR	Change	Total Rooms Revenue	Tax Revenue @ 12%
	2018	2,696	983,932	—	728,637	—	—	—	74.1	$180.70	—	—	—	$133.81	—	$131,664,716	$13,166,472
Effective Year>	2019	2,909	1,061,760	7.91 %	780,359	7.1 %	0.04	7.098	73.5 %	185.96	3.0 %	0.09	2.91 %	136.67	2.1 %	145,114,261	17,413,711
	2020	3,229	1,178,637	11.01	773,659	(0.8)	0.04	(0.859)	65.6	191.37	3.0	0.09	2.91	125.62	(8.1)	148,054,922	17,766,591
	2021	3,285	1,198,933	1.72	730,516	(5.5)	0.04	(5.576)	60.9	172.06	(10.0)	0.09	(10.09)	104.84	(16.5)	125,692,965	15,083,156
	2022	3,285	1,198,933	0.00	805,503	10.3	0.04	10.265	67.2	171.91	0.0	0.09	(0.09)	115.49	10.2	138,470,678	16,616,481
	2023	3,285	1,198,933	0.00	846,229	5.1	0.04	5.056	70.6	182.07	6.0	0.09	5.91	128.51	11.3	154,069,003	18,488,280
	2024	3,285	1,198,933	0.00	877,789	3.8	0.04	3.730	73.2	187.36	3.0	0.09	2.91	137.18	6.7	164,465,686	19,735,882
	2025	3,285	1,198,933	0.00	896,012	2.1	0.04	2.076	74.7	192.82	3.0	0.09	2.91	144.10	5.0	172,765,207	20,731,825
	2026	3,285	1,198,933	0.00	907,131	1.3	0.04	1.241	75.7	198.43	3.0	0.09	2.91	150.13	4.2	179,999,045	21,599,885
	2027	3,285	1,198,933	0.00	907,565	0.1	0.04	0.048	75.7	204.20	3.0	0.09	2.91	154.58	3.0	185,325,614	22,239,074
	2028	3,285	1,198,933	0.00	907,202	0.0	0.04	(0.040)	75.7	210.14	3.0	0.09	2.91	159.01	2.9	190,642,302	22,877,076
	2029	3,285	1,198,933	0.00	906,839	0.0	0.04	(0.040)	75.6	216.26	3.0	0.09	2.91	163.57	2.9	196,111,517	23,533,382
																Total (2019-2029)	**$216,085,344**

FIGURE 5-4 TOT REVENUE AT 13% TAX RATE

	Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Market Change (%)	% Point Discount	Applied Change %	Occupancy	Average Rate	Market Change (%)	% Point Discount	Applied Change %	RevPAR	Change	Total Rooms Revenue	Tax Revenue @ 13%
	2018	2,696	983,932	—	728,637	—	—	—	74.1 %	$180.70	—	—	—	$133.81	—	$131,664,716	$13,166,472
Effective Year>	2019	2,909	1,061,760	7.9 %	780,213	7.1 %	0.06	7.078	73.5	185.88	3.0 %	0.14	2.87 %	136.59	2.1 %	145,023,719	18,853,083
	2020	3,229	1,178,637	11.0	773,358	(0.8)	0.06	(0.879)	65.6	191.20	3.0	0.14	2.87	125.46	(8.1)	147,868,009	19,222,841
	2021	3,285	1,198,933	1.7	730,077	(5.5)	0.06	(5.596)	60.9	171.82	(10.0)	0.14	(10.14)	104.63	(16.6)	125,444,877	16,307,834
	2022	3,285	1,198,933	0.0	804,874	10.3	0.06	10.245	67.1	171.59	0.0	0.14	(0.14)	115.19	10.1	138,110,070	17,954,309
	2023	3,285	1,198,933	0.0	845,407	5.1	0.06	5.036	70.5	181.66	6.0	0.14	5.87	128.09	11.2	153,573,239	19,964,521
	2024	3,285	1,198,933	0.0	876,767	3.8	0.06	3.710	73.1	186.86	3.0	0.14	2.87	136.65	6.7	163,833,187	21,298,314
	2025	3,285	1,198,933	0.0	894,793	2.1	0.06	2.056	74.6	192.21	3.0	0.14	2.87	143.45	5.0	171,991,830	22,358,938
	2026	3,285	1,198,933	0.0	905,719	1.3	0.06	1.221	75.5	197.72	3.0	0.14	2.87	149.37	4.1	179,079,545	23,280,341
	2027	3,285	1,198,933	0.0	905,971	0.1	0.06	0.028	75.6	203.39	3.0	0.14	2.87	153.69	2.9	184,261,438	23,953,987
	2028	3,285	1,198,933	0.0	905,427	0.0	0.06	(0.060)	75.5	209.21	3.0	0.14	2.87	158.00	2.8	189,426,804	24,625,485
	2029	3,285	1,198,933	0.0	904,884	0.0	0.06	(0.060)	75.5	215.21	3.0	0.14	2.87	162.43	2.8	194,736,969	25,315,806
																Total (2019-2029)	**$233,135,459**

FIGURE 5-5 TOT REVENUE AT 14% TAX RATE

	Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Market Change (%)	% Point Discount	Applied Change %	Occupancy	Average Rate	Market Change (%)	% Point Discount	Applied Change %	RevPAR	Change	Total Rooms Revenue	Tax Revenue @ 14%
	2018	2,696	983,932	—	728,637	—	—	—	74.1 %	$180.70	—	—	—	$133.81	—	$131,664,716	$13,166,472
Effective Year>	2019	2,909	1,061,760	7.9 %	780,067	7.1 %	0.08	7.058	73.5	185.80	3.0 %	0.18	2.82	136.50	2.0 %	144,933,201	20,290,648
	2020	3,229	1,178,637	11.0	773,058	-0.8	0.08	(0.899)	65.6	191.04	3.0	0.18	2.82	125.30	(8.2)	147,681,264	20,675,377
	2021	3,285	1,198,933	1.7	729,639	-5.5	0.08	(5.616)	60.9	171.59	(10.0)	0.18	(10.18)	104.42	(16.7)	125,197,184	17,527,606
	2022	3,285	1,198,933	0.0	804,245	10.3	0.08	10.225	67.1	171.28	0.0	0.18	(0.18)	114.89	10.0	137,750,264	19,285,037
	2023	3,285	1,198,933	0.0	844,585	5.1	0.08	5.016	70.4	181.25	6.0	0.18	5.82	127.68	11.1	153,078,885	21,431,044
	2024	3,285	1,198,933	0.0	875,746	3.8	0.08	3.690	73.0	186.36	3.0	0.18	2.82	136.12	6.6	163,202,887	22,848,404
	2025	3,285	1,198,933	0.0	893,576	2.1	0.08	2.036	74.5	191.61	3.0	0.18	2.82	142.81	4.9	171,221,630	23,971,028
	2026	3,285	1,198,933	0.0	904,308	1.3	0.08	1.201	75.4	197.02	3.0	0.18	2.82	148.60	4.1	178,164,405	24,943,017
	2027	3,285	1,198,933	0.0	904,379	0.1	0.08	0.008	75.4	202.57	3.0	0.18	2.82	152.81	2.8	183,202,983	25,648,418
	2028	3,285	1,198,933	0.0	903,655	0.0	0.08	(0.080)	75.4	208.29	3.0	0.18	2.82	156.99	2.7	188,218,611	26,350,606
	2029	3,285	1,198,933	0.0	902,932	0.0	0.08	(0.080)	75.3	214.16	3.0	0.18	2.82	161.29	2.7	193,371,555	27,072,018
																Total (2019-2029)	**$250,043,202**

6. Conclusion

By conducting research and market interviews, we studied supply and demand in Milpitas and its comparable markets that have increased TOT rates in the last decade. Although no mathematical correlation between an increase in TOT and lodging demand was found during our analysis, based on our market interviews indicated that some consumer resistance is in evidence when the TOT rate rises; therefore, we qualitatively considered the impact of the TOT increases and forecasted TOT revenues during the 10 projection years at five different TOT rates, as summarized below:

FIGURE 6-1 CONCLUSION

Tax Rate	Ten-Year Tax Revenue (2019-2029)	% Difference from Total Tax Revenue @ 10%	$ Difference from Total Revenue @ 10%	Rooms Revenue (Stabilized Year)	% Difference from Rooms Revenue @ 10%	Incremental Change % (Rooms Revenue)
10%	$181,553,900	---	---	$181,851,200	---	---
11%	198,891,834	9.55 %	$17,337,934	180,922,924	(0.510) %	(0.510) %
12%	216,085,344	19.02	34,531,444	179,999,045	(1.019)	(0.511)
13%	233,135,459	28.41	51,581,559	179,079,545	(1.524)	(0.511)
14%	250,043,202	37.72	68,489,301	178,164,405	(2.027)	(0.511)

Our analysis concludes that that overall TOT revenues become larger as TOT rates increase, although greater discounts were applied to occupancy and average rates at higher TOT rates. We anticipate that an additional approximately $17.3, $34.5, $51.6, and $68.5 million in TOT would be generated during the projection years upon the implementation of an increase in TOT rates from 10% to 11%, 12%, 13%, and 14%, respectively.

Addenda

ANALYSIS WITHOUT RECESSION

TOT REVENUE FORECAST- TOT TAX RATE AT 10% BASELINE

	Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change	Total Revenue	Tax @ 10%
	2018	2,696	983,932	—	728,637	—	74.1 %	$180.70	—	$133.81	—	$131,664,716	$13,166,472
Effective Year>	2019	2,909	1,061,760	7.9 %	780,650	7.1 %	73.5	186.12	3.0 %	136.84	2.3 %	145,295,417	14,529,542
	2020	3,229	1,178,637	11.0	833,448	6.8	70.7	191.70	3.0	135.56	(0.9)	159,775,938	15,977,594
	2021	3,285	1,198,933	1.7	868,351	4.2	72.4	197.46	3.0	143.01	5.5	171,460,952	17,146,095
	2022	3,285	1,198,933	0.0	890,926	2.6	74.3	203.38	3.0	151.13	5.7	181,196,050	18,119,605
	2023	3,285	1,198,933	0.0	906,532	1.8	75.6	209.48	3.0	158.39	4.8	189,901,036	18,990,104
	2024	3,285	1,198,933	0.0	910,797	0.5	76.0	215.77	3.0	163.91	3.5	196,518,498	19,651,850
	2025	3,285	1,198,933	0.0	910,797	0.0	76.0	222.24	3.0	168.83	3.0	202,414,052	20,241,405
	2026	3,285	1,198,933	0.0	910,797	0.0	76.0	228.91	3.0	173.89	3.0	208,486,474	20,848,647
	2027	3,285	1,198,933	0.0	910,797	0.0	76.0	235.77	3.0	179.11	3.0	214,741,068	21,474,107
	2028	3,285	1,198,933	0.0	910,797	0.0	76.0	242.85	3.0	184.48	3.0	221,183,300	22,118,330
	2029	3,285	1,198,933	0.0	910,797	0.0	76.0	250.13	3.0	190.02	3.0	227,818,799	22,781,880
												Total (2019-2029)	**$211,879,159**

TOT REVENUE AT 11% TAX RATE

	Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Market Change (%)	% Point Reduction	Applied Change %	Occupancy	Average Rate	Market Change (%)	% Point Discount	Applied Change %	RevPAR	Change	Total Revenue	Tax @ 11%
	2018	2,696	983,932	—	728,637	—	—	—	74.1 %	$180.70	—	—	—	$133.81	—	$131,664,716	13,166,472
Effective Year>	2019	2,909	1,061,760	7.9 %	780,504	7.1 %	0.02	7.118	73.5	186.04	3.0 %	0.05	2.96	136.76	2.2 %	145,204,827	15,972,531
	2020	3,229	1,178,637	11.0	833,137	6.8	0.02	6.743	70.7	191.54	3.0	0.05	2.96	135.39	(1.0)	159,576,660	17,553,433
	2021	3,285	1,198,933	1.7	867,860	4.2	0.02	4.168	72.4	197.20	3.0	0.05	2.96	142.74	5.4	171,139,424	18,825,337
	2022	3,285	1,198,933	0.0	890,248	2.6	0.02	2.580	74.3	203.02	3.0	0.05	2.96	150.75	5.6	180,742,013	19,881,621
	2023	3,285	1,198,933	0.0	905,664	1.8	0.02	1.732	75.5	209.02	3.0	0.05	2.96	157.89	4.7	189,305,211	20,823,573
	2024	3,285	1,198,933	0.0	909,745	0.5	0.02	0.451	75.9	215.20	3.0	0.05	2.96	163.29	3.4	195,777,341	21,535,508
	2025	3,285	1,198,933	0.0	909,563	0.0	0.02	(0.020)	75.9	221.56	3.0	0.05	2.96	168.08	2.9	201,522,249	22,167,447
	2026	3,285	1,198,933	0.0	909,381	0.0	0.02	(0.020)	75.8	228.11	3.0	0.05	2.96	173.02	2.9	207,435,736	22,817,931
	2027	3,285	1,198,933	0.0	909,199	0.0	0.02	(0.020)	75.8	234.85	3.0	0.05	2.96	178.09	2.9	213,522,749	23,487,502
	2028	3,285	1,198,933	0.0	909,017	0.0	0.02	(0.020)	75.8	241.79	3.0	0.05	2.96	183.32	2.9	219,788,380	24,176,722
	2029	3,285	1,198,933	0.0	908,835	0.0	0.02	(0.020)	75.8	248.93	3.0	0.05	2.96	188.70	2.9	226,237,870	24,886,166
																Total (2019-2029)	**$232,127,771**

TOT REVENUE AT 12% TAX RATE

	Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Market Change (%)	% Point Discount	Applied Change %	Occupancy	Average Rate	Market Change (%)	% Point Discount	Applied Change %	RevPAR	Change	Total Revenue	Tax @ 12%
	2018	2,696	983,932	—	728,637	—	—	—	74.1	$180.70	—	—	—	$133.81	—	$131,664,716	$13,166,472
Effective Year>	2019	2,909	1,061,760	7.91 %	780,359	7.1 %	0.04	7.098	73.5 %	185.96	3.0 %	0.09	2.91 %	136.67	2.1 %	145,114,261	17,413,711
	2020	3,229	1,178,637	11.01	832,825	6.8	0.04	6.723	70.7	191.37	3.0	0.09	2.91	135.22	(1.1)	159,377,557	19,125,307
	2021	3,285	1,198,933	1.72	867,368	4.2	0.04	4.148	72.3	196.94	3.0	0.09	2.91	142.48	5.4	170,818,383	20,498,206
	2022	3,285	1,198,933	0.00	889,571	2.6	0.04	2.560	74.2	202.67	3.0	0.09	2.91	150.37	5.5	180,288,949	21,634,674
	2023	3,285	1,198,933	0.00	904,797	1.8	0.04	1.712	75.5	208.57	3.0	0.09	2.91	157.40	4.7	188,711,040	22,645,325
	2024	3,285	1,198,933	0.00	908,693	0.5	0.04	0.431	75.8	214.64	3.0	0.09	2.91	162.68	3.4	195,038,713	23,404,646
	2025	3,285	1,198,933	0.00	908,329	0.0	0.04	(0.040)	75.8	220.88	3.0	0.09	2.91	167.34	2.9	200,634,054	24,076,086
	2026	3,285	1,198,933	0.00	907,966	0.0	0.04	(0.040)	75.7	227.31	3.0	0.09	2.91	172.14	2.9	206,389,916	24,766,790
	2027	3,285	1,198,933	0.00	907,603	0.0	0.04	(0.040)	75.7	233.92	3.0	0.09	2.91	177.08	2.9	212,310,904	25,477,309
	2028	3,285	1,198,933	0.00	907,240	0.0	0.04	(0.040)	75.7	240.73	3.0	0.09	2.91	182.16	2.9	218,401,756	26,208,211
	2029	3,285	1,198,933	0.00	906,877	0.0	0.04	(0.040)	75.6	247.74	3.0	0.09	2.91	187.39	2.9	224,667,344	26,960,081
																Total (2019-2029)	$252,210,345

TOT REVENUE AT 13% TAX RATE

	Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Market Change (%)	% Point Discount	Applied Change %	Occupancy	Average Rate	Market Change (%)	% Point Discount	Applied Change %	RevPAR	Change	Total Revenue	Tax @ 13%
	2018	2,696	983,932	—	728,637	—	—	—	74.1 %	$180.70	—	—	—	$133.81	—	$131,664,716	$13,166,472
Effective Year>	2019	2,909	1,061,760	7.9 %	780,213	7.1 %	0.06	7.078	73.5	185.88	3.0 %	0.14	2.87 %	136.59	2.1 %	145,023,719	18,853,083
	2020	3,229	1,178,637	11.0	832,513	6.8	0.06	6.703	70.6	191.20	3.0	0.14	2.87	135.05	(1.1)	159,178,632	20,693,222
	2021	3,285	1,198,933	1.7	866,877	4.2	0.06	4.128	72.3	196.68	3.0	0.14	2.87	142.21	5.3	170,497,829	22,164,718
	2022	3,285	1,198,933	0.0	888,894	2.6	0.06	2.540	74.1	202.32	3.0	0.14	2.87	150.00	5.5	179,836,857	23,378,791
	2023	3,285	1,198,933	0.0	903,931	1.8	0.06	1.692	75.4	208.11	3.0	0.14	2.87	156.90	4.6	188,118,519	24,455,408
	2024	3,285	1,198,933	0.0	907,642	0.5	0.06	0.411	75.7	214.07	3.0	0.14	2.87	162.06	3.3	194,302,606	25,259,339
	2025	3,285	1,198,933	0.0	907,097	0.0	0.06	(0.060)	75.7	220.21	3.0	0.14	2.87	166.61	2.8	199,749,454	25,967,429
	2026	3,285	1,198,933	0.0	906,553	0.0	0.06	(0.060)	75.6	226.52	3.0	0.14	2.87	171.28	2.8	205,348,992	26,695,369
	2027	3,285	1,198,933	0.0	906,009	0.0	0.06	(0.060)	75.6	233.01	3.0	0.14	2.87	176.08	2.8	211,105,501	27,443,715
	2028	3,285	1,198,933	0.0	905,466	0.0	0.06	(0.060)	75.5	239.68	3.0	0.14	2.87	181.01	2.8	217,023,382	28,213,040
	2029	3,285	1,198,933	0.0	904,922	0.0	0.06	(0.060)	75.5	246.55	3.0	0.14	2.87	186.09	2.8	223,107,157	29,003,930
																Total (2019-2029)	$272,128,044

TOT REVENUE AT 14% TAX RATE

	Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Market Change (%)	% Point Discount	Applied Change %	Occupancy	Average Rate	Market Change (%)	% Point Discount	Applied Change %	RevPAR	Change	Total Revenue	Tax @ 14%
	2018	2,696	983,932	—	728,637	—	—	—	74.1 %	$180.70	—	—	—	$133.81	—	$131,664,716	$13,166,472
Effective Year>	2019	2,909	1,061,760	7.9 %	780,067	7.1 %	0.08	7.058	73.5	185.80	3.0 %	0.18	2.82	136.50	2.0 %	144,933,201	20,290,648
	2020	3,229	1,178,637	11.0	832,202	6.8	0.08	6.683	70.6	191.04	3.0	0.18	2.82	134.88	(1.2)	158,979,882	22,257,184
	2021	3,285	1,198,933	1.7	866,387	4.2	0.08	4.108	72.3	196.42	3.0	0.18	2.82	141.94	5.2	170,177,759	23,824,886
	2022	3,285	1,198,933	0.0	888,217	2.6	0.08	2.520	74.1	201.96	3.0	0.18	2.82	149.62	5.4	179,385,736	25,114,003
	2023	3,285	1,198,933	0.0	903,065	1.8	0.08	1.672	75.3	207.66	3.0	0.18	2.82	156.41	4.5	187,527,646	26,253,870
	2024	3,285	1,198,933	0.0	906,592	0.5	0.08	0.391	75.6	213.51	3.0	0.18	2.82	161.45	3.2	193,569,011	27,099,662
	2025	3,285	1,198,933	0.0	905,867	0.0	0.08	(0.080)	75.6	219.53	3.0	0.18	2.82	165.87	2.7	198,868,435	27,841,581
	2026	3,285	1,198,933	0.0	905,142	0.0	0.08	(0.080)	75.5	225.72	3.0	0.18	2.82	170.41	2.7	204,312,943	28,603,812
	2027	3,285	1,198,933	0.0	904,418	0.0	0.08	(0.080)	75.4	232.09	3.0	0.18	2.82	175.08	2.7	209,906,509	29,386,911
	2028	3,285	1,198,933	0.0	903,695	0.0	0.08	(0.080)	75.4	238.64	3.0	0.18	2.82	179.87	2.7	215,653,212	30,191,450
	2029	3,285	1,198,933	0.0	902,972	0.0	0.08	(0.080)	75.3	245.36	3.0	0.18	2.82	184.80	2.7	221,557,244	31,018,014
																Total (2019-2029)	$291,882,021

CONCLUSION

Tax Rate	Ten-Year Tax Revenue (2019-2029)	% Difference from Total Tax Revenue @ 10%	$ Difference from Total Revenue @ 10%	Rooms Revenue (Stabilized Year)	% Difference from Rooms Revenue @ 10%	Incremental Change % (Rooms Revenue)
10%	$211,879,159	---	---	$208,486,474	---	---
11%	232,127,771	9.56 %	$20,248,612	207,435,736	(0.504) %	(0.504) %
12%	252,210,345	19.03	40,331,187	206,389,916	(1.006)	(0.504)
13%	272,128,044	28.44	60,248,886	205,348,992	(1.505)	(0.504)
14%	291,882,021	37.76	80,002,862	204,312,943	(2.002)	(0.505)

HVS

MILPITAS

HISTORICAL SUPPLY AND DEMAND TRENDS (STR) BY SEGMENT

Transient

	Year	Supply	Total Available Room Nights	Change	Transient Occupied Room Nights	Change	Transient Occupancy	Transient Revenue	Transient Average Rate	Change	Trainsient RevPAR	Change
Approved Year>	2009	2,438	889,870	—	432,076	—	48.6 %	41,972,686	$97.1	—	$47.2	—
	2010	2,438	889,870	0.0	519,759	20.3	58.4	50,501,169	97.2	0.0	56.8	20.3
	2011	2,438	889,870	0.0	543,200	4.5	61.0	58,527,137	107.7	10.9	65.8	15.9
	2012	2,438	889,870	0.0	549,898	1.2	61.8	66,231,333	120.4	11.8	74.4	13.2
	2013	2,438	889,870	0.0	559,312	1.7	62.9	76,278,063	136.4	13.2	85.7	15.2
	2014	2,438	889,870	0.0	558,288	(0.2)	62.7	86,099,817	154.2	13.1	96.8	12.9
	2015	2,438	889,870	0.0	556,019	(0.4)	62.5	97,925,382	176.1	14.2	110.0	13.7
	2016	2,438	889,870	0.0	516,787	(7.1)	58.1	95,496,832	184.8	4.9	107.3	(2.5)
	2017	2,438	889,778	(0.0)	514,743	(0.4)	57.9	97,376,377	189.2	2.4	109.4	2.0
	2017/18	2,437	889,505	(0.0)	527,210	2.4	59.3	103,060,603	195.5	3.3	115.9	5.9
	Year-to-Date Through September											
	2017	1,823	665,574	—	387,014	—	58.1 %	73,761,063	190.6	—	110.8	—
	2018	1,823	665,301	(0.0) %	399,480	3.2 %	60.0	79,445,290	198.9	4.3 %	119.4 %	7.8 %

Group

	Year	Supply	Total Available Room Nights	Change	Group Occupied Room Nights	Change	Transient Occupancy	Transient Revenue	Transient Average Rate	Change	Trainsient RevPAR	Change
Approved Year>	2009	2,438	889,870	— %	99,809	—	11.2 %	7,880,583	$79.0	— %	$8.9	— %
	2010	2,438	889,870	0.0	128,392	28.6	14.4	10,069,627	78.4	(0.7)	11.3	27.8
	2011	2,438	889,870	0.0	128,969	0.4	14.5	9,805,022	76.0	(3.1)	11.0	(2.6)
	2012	2,438	889,870	0.0	125,058	(3.0)	14.1	10,641,642	85.1	11.9	12.0	8.5
	2013	2,438	889,870	0.0	117,072	(6.4)	13.2	12,464,795	106.5	25.1	14.0	17.1
	2014	2,438	889,870	0.0	126,787	8.3	14.2	14,863,127	117.2	10.1	16.7	19.2
	2015	2,438	889,870	0.0	117,778	(7.1)	13.2	15,915,524	135.1	15.3	17.9	7.1
	2016	2,438	889,870	0.0	128,180	8.8	14.4	20,813,690	162.4	20.2	23.4	30.8
	2017	2,438	889,778	(0.0)	130,831	2.1	14.7	19,462,879	148.8	(8.4)	21.9	(6.5)
	2017/18	2,437	889,505	(0.0)	112,461	(14.0)	12.6	17,019,458	151.3	1.7	19.1	(12.5)
	Year-to-Date Through September											
	2017	1,823	665,574	—	103,344	—	15.5 %	15,501,053	150.0	—	23.3	—
	2018	1,823	665,301	(0.0) %	84,974	(17.8) %	12.8	13,057,632	153.7	2.4 %	19.6 %	(15.7) %

Contract

	Year	Supply	Total Available Room Nights	Change	Contract Occupied Room Nights	Change	Transient Occupancy	Transient Revenue	Transient Average Rate	Change	Trainsient RevPAR	Change
Approved Year>	2009	2,438	889,870	— %	7,372	—	0.8 %	585,053	$79.4	— %	0.7	— %
	2010	2,438	889,870	0.0	5,206	(29.4)	0.6	378,251	72.7	(8.4)	0.4	(35.3)
	2011	2,438	889,870	0.0	4,931	(5.3)	0.6	327,528	66.4	(8.6)	0.4	(13.4)
	2012	2,438	889,870	0.0	6,027	22.2	0.7	418,179	69.4	4.5	0.5	27.7
	2013	2,438	889,870	0.0	948	(84.3)	0.1	80,753	85.2	22.8	0.1	(80.7)
	2014	2,438	889,870	0.0	13,043	1,275.9	1.5	1,190,432	91.3	7.1	1.3	1,374.2
	2015	2,438	889,870	0.0	25,426	94.9	2.9	3,726,000	146.5	60.6	4.2	213.0
	2016	2,438	889,870	0.0	37,566	47.7	4.2	6,202,644	165.1	12.7	7.0	66.5
	2017	2,438	889,778	(0.0)	45,407	20.9	5.1	7,391,949	162.8	(1.4)	8.3	19.2
	2017/18	2,437	889,505	(0.0)	37,003	(18.5)	4.2	6,274,733	169.6	4.2	7.1	(15.1)
	Year-to-Date Through September											
	2017	1,823	665,574	—	36,386	—	5.5 %	5,870,704	161.3	—	8.8	—
	2018	1,823	665,301	(0.0) %	27,982	(23.1) %	4.2	4,753,489	169.9	5.3 %	7.1 %	(19.0) %

HOTELS PARTICIPATING IN SEGMENTATION REPORTS

STR Code	Name of Establishment	City & State	Zip Code	Class	Aff Date	Open Date	Rooms	Chg in Rms
37828	Hilton Garden Inn San Jose Milpitas	Milpitas, CA	95035	Upscale Class	Mar 1999	Mar 1999	161	Y
37332	Larkspur Landing Milpitas	Milpitas, CA	95035	Upscale Class	Jan 2005	Nov 1998	124	Y
36040	Extended Stay America San Jose Milpitas	Milpitas, CA	95035	Economy Class	Jan 1998	Jan 1998	146	Y
37909	Courtyard Milpitas	Milpitas, CA	95035	Upscale Class	Jul 1999	Jul 1999	155	Y
43196	Staybridge Suites Hotel Silicon Valley Milpitas	Milpitas, CA	95035	Upscale Class	Dec 2004	Sep 2002	99	Y
41599	Hampton Inn Milpitas	Milpitas, CA	95035	Upper Midscale Class	Jan 2001	Jan 2001	93	Y
38315	TownePlace Suites Milpitas	Milpitas, CA	95035	Upper Midscale Class	May 1999	May 1999	142	Y
34833	Residence Inn Milpitas Silicon Valley	Milpitas, CA	95035	Upscale Class	Nov 1997	Nov 1997	120	Y
11553	Sonesta Silicon Valley San Jose	Milpitas, CA	95035	Upscale Class	Dec 2016	Jun 1983	236	Y
8714	Embassy Suites Milpitas Silicon Valley	Milpitas, CA	95035	Upper Upscale Class	Dec 1995	Nov 1987	266	
2020	Best Western Plus Brookside Inn	Milpitas, CA	95035	Upper Midscale Class	May 2011	Jun 1985	78	
22047	Days Inn San Jose Milpitas	Milpitas, CA	95035	Economy Class	Dec 2005	Jan 1987	123	
34510	Extended Stay America San Jose Milpitas McCarthy Ran	Milpitas, CA	95035	Economy Class	Apr 2012	Feb 1997	161	Y
26179	Crowne Plaza San Jose Silicon Valley	Milpitas, CA	95035	Upscale Class	Jan 1999	Jun 1987	304	
23709	Sheraton Hotel San Jose	Milpitas, CA	95035	Upper Upscale Class	Apr 1988	Apr 1988	229	
					Total Properties:	15	2437	

STR Code	2016												2017												2018											
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
37828																																				
37332	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●			
36040																																				
37909	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○			
43196																																				
41599																																				
38315	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○			
34833																																				
11553	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●			
8714	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●			
2020																																				
22047																																				
34510																																				
26179	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●			
23709	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●			

○ - Monthly Segmentation data received by STR
● - Monthly and daily Segmentation data received by STR
Blank - No data received by STR
Y - (Chg in Rms) Property has experienced a room addition or drop during the time period of the report

SUNNYVALE

Ballot Year: **2013**
Effective Year: **2014**
Previous Occupancy Tax %: **9.5%**
Increased Occupancy Tax %: **10.5%**
% Difference: **1.0% Point**

HISTORICAL SUPPLY AND DEMAND TRENDS (STR)

	Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
	2008	2,964	1,081,860	—	696,763	—	64.4 %	$117.17	—	$75.46	—
	2009	2,964	1,081,860	0.0 %	603,937	(13.3) %	55.8	93.68	(20.0) %	52.30	(30.7) %
	2010	2,964	1,081,860	0.0	710,491	17.6	65.7	94.50	0.9	62.06	18.7
	2011	2,964	1,081,860	0.0	764,030	7.5	70.6	103.84	9.9	73.33	18.2
	2012	2,960	1,080,579	(0.1)	812,960	6.4	75.2	112.44	8.3	84.60	15.4
Approved Year>	2013	2,949	1,076,326	(0.4)	837,221	3.0	77.8	127.24	13.2	98.97	17.0
	2014	2,986	1,089,970	1.3	852,644	1.8	78.2	145.46	14.3	113.79	15.0
	2015	3,165	1,155,379	6.0	904,516	6.1	78.3	171.19	17.7	134.02	17.8
	2016	3,138	1,145,329	(0.9)	880,868	(2.6)	76.9	181.98	6.3	139.96	4.4
	2017	3,141	1,146,491	0.1	878,971	(0.2)	76.7	187.84	3.2	144.01	2.9
	2017/18	3,185	1,162,350	1.4	897,264	2.1	77.2	195.23	3.9	150.71	4.7
	Year-to-Date Through August										
	2017	3,121	758,287	—	595,305	—	78.5 %	$187.25	—	$147.00	—
	2018	3,186	774,146	2.1 %	613,598	3.1 %	79.3	198.07	5.8 %	157.00	6.8 %
	Average Annual Compounded Change:										
	2008 - 2013			(0.1) %		3.7 %			1.7 %		5.6 %
	2014 - 2017			2.2		1.7			8.9		8.2
	2008 - 2011			0.6		2.6			5.4		7.4

Hotels Included in Sample	Class	Number of Rooms	Year Affiliated	Year Opened
Ramada Sunnyvale Silicon Valley	Midscale Class	175	Dec 1993	May 1963
Motel 6 Sunnyvale South	Economy Class	61	Mar 1966	Mar 1966
Vagabond Inn Sunnyvale Silicon Valley	Midscale Class	60	Dec 1969	Dec 1969
Days Inn & Suites Sunnyvale	Economy Class	105	Dec 2011	Jun 1972
Cherry Orchard Inn	Upper Midscale Class	61	Nov 2013	Jan 1974
Comfort Inn Sunnyvale Silicon Valley	Upper Midscale Class	92	Nov 2016	Dec 1974
Joie De Vivre Wild Palms Hotel	Upper Upscale Class	205	Mar 2000	Jun 1977
Sheraton Hotel Sunnyvale	Upper Upscale Class	173	Mar 1999	Jun 1980
Best Western Silicon Valley Inn	Midscale Class	100	Jul 2014	Jun 1983
Residence Inn Sunnyvale Silicon Valley I	Upscale Class	231	Oct 1983	Oct 1983
Quality Inn Santa Clara Conventon Center	Midscale Class	72	Nov 1983	Nov 1983
Residence Inn Sunnyvale Silicon Valley II	Upscale Class	248	May 1985	May 1985
Maple Tree Inn	Upper Upscale Class	178	Jun 1985	Jun 1985
The Domain Hotel	Upper Upscale Class	136	Dec 2014	Sep 1986
Country Inn & Suites Sunnyvale	Upper Midscale Class	180	Apr 2005	Aug 1987
Motel 6 Sunnyvale North	Economy Class	147	Jun 1989	Jan 1989
Holiday Inn Express Sunnyvale Silicon Valley	Upper Midscale Class	58	Sep 2017	Jan 1989
Staybridge Suites Sunnyvale	Upscale Class	138	Oct 2003	Sep 1989
Extended Stay America San Jose Sunnyvale	Economy Class	145	Apr 2012	Mar 1997
Larkspur Landing Sunnyvale	Upscale Class	126	Dec 1998	Dec 1998
Corporate Inn Sunnyvale	Upper Upscale Class	73	Apr 1999	Apr 1999
Grand Hotel	Upper Upscale Class	104	Jul 2000	Jul 2000
TownePlace Suites Sunnyvale Mountain View	Upper Midscale Class	94	Nov 2003	Nov 2003
Courtyard Sunnyvale Mountain View	Upscale Class	145	Oct 2014	Oct 2014
aloft Sunnyvale	Upscale Class	85	Mar 2015	Mar 2015
	Total	**1,596**		

Source: STR

HVS

CAMPBELL

Ballot Year: **2010**
Effective Year: **2011**
Previous Occupancy Tax %: **10.0%**
Increased Occupancy Tax %: **12.0%**
% Difference: **2.0% Point**

HISTORICAL SUPPLY AND DEMAND TRENDS (STR)

	Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
	2006	511	186,515	—	141,484	—	75.9 %	$105.11	—	$79.73	—
	2007	511	186,515	0.0 %	149,273	5.5 %	80.0	115.92	10.3 %	92.78	16.4 %
	2008	511	186,515	0.0	142,178	(4.8)	76.2	119.43	3.0	91.04	(1.9)
	2009	511	186,515	0.0	125,498	(11.7)	67.3	103.05	(13.7)	69.34	(23.8)
Approved year>	2010	659	240,623	29.0	166,080	32.3	69.0	107.41	4.2	74.13	6.9
	2011	673	245,645	2.1	188,281	13.4	76.6	115.56	7.6	88.58	19.5
	2012	673	245,645	0.0	195,726	4.0	79.7	124.34	7.6	99.07	11.8
	2013	673	245,645	0.0	206,869	5.7	84.2	136.32	9.6	114.80	15.9
	2014	673	245,645	0.0	208,792	0.9	85.0	156.69	14.9	133.18	16.0
	2015	673	245,645	0.0	212,918	2.0	86.7	175.79	12.2	152.37	14.4
	2016	673	245,583	(0.0)	206,383	(3.1)	84.0	186.14	5.9	156.43	2.7
	2017	672	245,099	(0.2)	206,284	(0.0)	84.2	187.55	0.8	157.85	0.9
	2017/18	672	245,280	0.1	204,784	(0.7)	83.5	194.75	3.8	162.59	3.0
	Year-to-Date Through January										
	2017	5,262	163,115	—	137,544	—	84.3 %	$189.34	—	$159.66	—
	2018	5,268	163,296	0.1 %	136,044	(1.1) %	83.3	200.19	5.7 %	166.78	4.5 %
	Average Annual Compounded Change:										
	2006 - 2010			6.6 %		4.1 %			0.5 %		(1.8) %
	2011 - 2017			(0.0)		1.5			8.4		10.1
	2006 - 2017			2.5		3.5			5.4		6.4

Hotels Included in Sample	Class	Number of Rooms	Year Affiliated	Year Opened
Motel 6 San Jose Campbell	Economy Class	49	Aug 1992	Jun 1985
Residence Inn San Jose Campbell	Upscale Class	80	Mar 1986	Mar 1986
DoubleTree Campbell Pruneyard Plaza Hotel	Upscale Class	169	Jul 2013	Jun 1989
Larkspur Landing Campbell	Upscale Class	117	Mar 2000	Mar 2000
TownePlace Suites San Jose Campbell	Upper Midscale Class	95	Dec 2005	Dec 2005
	Total	672		

Source: STR

HVS

FREMONT

Ballot Year: **2008**
Effective Year: **2009**
Previous Occupancy Tax %: **8.0%**
Increased Occupancy Tax %: **10.0%**
% Difference: **2.0% Point**

HISTORICAL SUPPLY AND DEMAND TRENDS (STR)

	Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
	2005	2,309	842,785	—	488,080	—	57.9 %	$61.25	—	$35.47	—
	2006	2,309	842,785	0.0	522,058	7.0	61.9	68.31	11.5 %	42.32	19.3 %
	2007	2,309	842,785	0.0	547,535	4.9	65.0	75.08	9.9	48.78	15.3
	2008	2,309	842,785	0.0	544,754	(0.5)	64.6	76.99	2.5	49.76	2.0
Approved Year>	2009	2,309	842,785	0.0	475,889	(12.6)	56.5	64.18	(16.6)	36.24	(27.2)
	2010	2,309	842,785	0.0	554,138	16.4	65.8	63.32	(1.3)	41.64	14.9
	2011	2,309	842,785	0.0	584,451	5.5	69.3	70.97	12.1	49.22	18.2
	2012	2,311	843,518	0.1	617,855	5.7	73.2	80.61	13.6	59.04	20.0
	2013	2,312	843,880	0.0	638,785	3.4	75.7	92.13	14.3	69.74	18.1
	2014	2,312	843,880	0.0	673,726	5.5	79.8	104.78	13.7	83.65	19.9
	2015	2,312	843,880	0.0	703,375	4.4	83.4	124.12	18.5	103.45	23.7
	2016	2,308	842,420	(0.2)	664,689	(5.5)	78.9	131.67	6.1	103.89	0.4
	2017	2,308	842,420	0.0	667,299	0.4	79.2	137.74	4.6	109.11	5.0
	2017/18	2,308	842,420	0.0	641,534	(3.9)	76.2	143.07	3.9	108.95	(0.1)
	Year-to-Date Through August										
	2017	2,308	560,844	—	453,970	—	80.9 %	$137.24	—	$111.09	—
	2018	2,308	560,844	0.0 %	428,205	(5.7) %	76.4	145.19	5.8 %	110.86	(0.2) %
	Average Annual Compounded Change:										
	2005 - 2009			0.0 %		(0.6) %			1.2 %		0.5 %
	2010 - 2017			(0.0)		2.7			10.5		14.7
	2005 - 2017			(0.0)		2.6			7.0		9.8

Hotels Included in Sample	Class	Number of Rooms	Year Affiliated	Year Opened
Best Western Plus Garden Court Inn	Upper Midscale Class	123	Mar 2011	Jun 1974
Residence Inn Fremont Silicon Valley	Upscale Class	80	May 1985	May 1985
Comfort Inn Silicon Valley East Fremont	Upper Midscale Class	113	Feb 2009	Jan 1987
Courtyard Fremont Silicon Valley	Upscale Class	146	Mar 1987	Mar 1987
Motel 6 Fremont North	Economy Class	212	Feb 1989	Nov 1987
Motel 6 Fremont South	Economy Class	154	May 1988	May 1988
Good Nite Inn Fremont	Economy Class	120	May 1989	May 1989
Days Inn Fremont	Economy Class	49	Mar 2005	Mar 1992
Extended Stay America Fremont Fremont Boulevard South	Economy Class	128	Apr 2012	Jan 1999
La Quinta Inns & Suites Fremont Silicon Valley	Midscale Class	148	Mar 1999	Mar 1999
Hampton Inn Fremont Silicon Valley	Upper Midscale Class	100	Jun 1999	Jun 1999
Extended Stay America Fremont Newark	Economy Class	200	Apr 2012	Aug 1999
Marriott Fremont Silicon Valley	Upper Upscale Class	357	Aug 1999	Aug 1999
Holiday Inn Express & Suites Fremont Milpitas Central	Upper Midscale Class	126	Apr 2009	Apr 2000
Extended Stay America Fremont Warm Springs	Economy Class	101	Nov 2001	Nov 2001
Hyatt Place Fremont Silicon Valley	Upscale Class	151	Nov 2007	Oct 2002
	Total	**2,308**		

Source: STR

OAKLAND

Ballot Year: **2009**
Effective Year: **2010**
Previous Occupancy Tax %: **11.0%**
Increased Occupancy Tax %: **14.0%**
% Difference: **3.0% Point**

HISTORICAL SUPPLY AND DEMAND TRENDS (STR)

	Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
	2005	3,431	1,252,327	—	805,784	—	64.3 %	$97.77	—	$62.91	—
	2006	3,198	1,167,233	(6.8)	797,217	(1.1)	68.3	104.73	7.1 %	71.53	13.7 %
	2007	3,213	1,172,745	0.5	811,657	1.8	69.2	109.41	4.5	75.72	5.9
	2008	3,298	1,203,775	2.6	749,086	(7.7)	62.2	108.84	(0.5)	67.73	(10.6)
Approved Year>	2009	3,369	1,229,574	2.1	669,963	(10.6)	54.5	95.72	(12.1)	52.15	(23.0)
	2010	3,424	1,249,642	1.6	739,470	10.4	59.2	91.22	(4.7)	53.98	3.5
	2011	3,429	1,251,585	0.2	784,887	6.1	62.7	96.66	6.0	60.62	12.3
	2012	3,429	1,251,585	0.0	874,144	11.4	69.8	102.26	5.8	71.42	17.8
	2013	3,426	1,250,395	(0.1)	905,878	3.6	72.4	109.45	7.0	79.29	11.0
	2014	3,424	1,249,699	(0.1)	950,528	4.9	76.1	121.28	10.8	92.25	16.3
	2015	3,423	1,249,395	(0.0)	956,137	0.6	76.5	139.24	14.8	106.56	15.5
	2016	3,451	1,259,689	0.8	930,972	(2.6)	73.9	149.08	7.1	110.18	3.4
	2017	3,702	1,351,354	7.3	1,026,502	10.3	76.0	149.06	(0.0)	113.23	2.8
	2017/18	3,712	1,354,766	0.3	1,061,009	3.4	78.3	155.51	4.3	121.79	7.6
	Year-to-Date Through September										
	2017	3,702	1,010,586	—	776,091	—	76.8 %	$146.93	—	$112.83	—
	2018	3,714	1,013,998	0.3 %	810,598	4.4 %	79.9	155.46	5.8 %	124.28	10.1 %
	Average Annual Compounded Change:										
	2005 - 2009			(0.5) %		(4.5) %			(0.5) %		(4.6) %
	2010 - 2017			1.1		5.3			7.3		11.2
	2008 - 2017			0.6		2.0			3.6		5.0

Hotels Included in Sample	Class	Number of Rooms	Year Affiliated	Year Opened
Rodeway Inn & Suites Near The Coliseum & Arena	Economy Class	36	Apr 2011	Jan 1900
Radisson Hotel Oakland Airport	Upscale Class	289	Dec 2016	May 1963
Joie De Vivre Waterfront Hotel	Upper Upscale Class	145	Oct 2007	Jun 1964
Z Hotel Jack London Square	Upscale Class	98	Sep 2007	Jun 1964
Econo Lodge Inn & Suites Oakland Airport	Economy Class	72	Sep 2008	Jun 1964
Jack London Inn	Economy Class	110	Jun 1967	Jun 1967
Hilton Oakland Airport	Upper Upscale Class	360	Jan 1970	Jan 1970
Oakland Airport Executive Hotel	Upper Midscale Class	189	Jan 2018	Jun 1970
Motel 6 Oakland Embarcadero	Economy Class	99	Jan 1992	Jun 1981
Motel 6 Oakland Airport	Economy Class	284	Feb 1989	Jun 1981
Marriott Oakland City Center	Upper Upscale Class	500	Jan 1996	May 1983
Days Hotel Oakland Airport Coliseum	Economy Class	139	Oct 1983	Oct 1983
Quality Inn Oakland	Midscale Class	99	Nov 2004	Sep 1986
La Quinta Inns & Suites Oakland Airport Coliseum	Midscale Class	148	Apr 2004	Nov 1986
Executive Inn & Suites	Upper Upscale Class	143	Jun 1991	Jun 1991
Holiday Inn Express & Suites Oakland Airport	Upper Midscale Class	95	Apr 1999	Apr 1999
Comfort Inn & Suites Oakland	Upper Midscale Class	104	Jan 2011	Oct 1999
Courtyard Oakland Airport	Upscale Class	156	Feb 2001	Feb 2001
Best Western Plus Airport Inn & Suites	Upper Midscale Class	76	Mar 2011	Apr 2001
Homewood Suites Oakland Waterfront	Upscale Class	132	Jan 2002	Jan 2002
Courtyard Oakland Downtown	Upscale Class	162	Mar 2002	Mar 2002
Holiday Inn Hotel & Suites Oakland Airport	Upper Midscale Class	146	Jun 2008	Jun 2008
Clarion Hotel Downtown Oakland City Center	Upper Midscale Class	64	Nov 2009	Nov 2009
Best Western Plus Bayside Hotel	Upper Midscale Class	81	Feb 2013	Feb 2013
	Total	**3,727**		

Source: STR

HVS

HISTORICAL SUPPLY AND DEMAND TRENDS (STR) BY SEGMENT

Transient

	Year	Supply	Total Available Room Nights	Change	Transient Occupied Room Nights	Change	Transient Occupancy	Transient Revenue	Transient Average Rate	Change	Trainsient RevPAR	Change
Approved Year>	2009	3,369	1,229,574	—	464,908	—	37.8 %	$46,283,729	$99.6	—	$37.6	—
	2010	3,424	1,249,642	1.6	519,710	11.8	41.6	49,099,285	94.5	(5.1)	39.3	4.4
	2011	3,429	1,251,585	0.2	547,183	5.3	43.7	56,048,871	102.4	8.4	44.8	14.0
	2012	3,429	1,251,585	0.0	610,168	11.5	48.8	66,030,509	108.2	5.6	52.8	17.8
	2013	3,426	1,250,395	(0.1)	663,852	8.8	53.1	75,809,564	114.2	5.5	60.6	14.9
	2014	3,424	1,249,699	(0.1)	646,809	(2.6)	51.8	83,881,325	129.7	13.6	67.1	10.7
	2015	3,423	1,249,395	(0.0)	656,473	1.5	52.5	96,127,532	146.4	12.9	76.9	14.6
	2016	3,451	1,259,689	0.8	682,569	4.0	54.2	104,329,928	152.8	4.4	82.8	7.6
	2017	3,702	1,351,354	7.3	737,292	8.0	54.6	113,590,355	154.1	0.8	84.1	1.5
	2017/18	3,712	1,354,766	0.3	747,560	1.4	55.2	122,503,706	163.9	6.4	90.4	7.6
Year-to-Date Through September												
	2017	2,769	1,010,586	—	560,479	—	55.5 %	84,704,079	151.1	—	83.8	—
	2018	2,778	1,013,998	0.3 %	570,747	1.8 %	56.3	93,617,430	164.0	8.5 %	92.3 %	10.2 %

Group

	Year	Supply	Total Available Room Nights	Change	Transient Occupied Room Nights	Change	Transient Occupancy	Transient Revenue	Transient Average Rate	Change	Trainsient RevPAR	Change
Approved Year>	2009	3,369	1,229,574	— %	138,726	—	11.3 %	$13,497,783	$97.3	— %	11.0	— %
	2010	3,424	1,249,642	1.6	160,145	15.4	12.8	14,693,069	91.7	(5.7)	11.8	7.1
	2011	3,429	1,251,585	0.2	172,449	7.7	13.8	15,847,926	91.9	0.2	12.7	7.7
	2012	3,429	1,251,585	0.0	190,870	10.7	15.3	18,776,631	98.4	7.0	15.0	18.5
	2013	3,426	1,250,395	(0.1)	182,567	(4.4)	14.6	19,612,178	107.4	9.2	15.7	4.5
	2014	3,424	1,249,699	(0.1)	221,678	21.4	17.7	25,237,768	113.8	6.0	20.2	28.8
	2015	3,423	1,249,395	(0.0)	218,165	(1.6)	17.5	28,867,003	132.3	16.2	23.1	14.4
	2016	3,451	1,259,689	0.8	170,303	(21.9)	13.5	25,741,677	151.2	14.2	20.4	(11.6)
	2017	3,702	1,351,354	7.3	198,969	16.8	14.7	29,069,688	146.1	(3.3)	21.5	5.3
	2017/18	3,712	1,354,766	0.3	202,544	1.8	15.0	29,602,506	146.2	0.0	21.9	1.6
Year-to-Date Through September												
	2017	2,769	1,010,586	—	148,146	—	14.7 %	21,622,342	146.0	—	21.4	—
	2018	2,778	1,013,998	0.3 %	151,722	2.4 %	15.0	22,155,160	146.0	0.0 %	21.8 %	2.1 %

Contract

	Year	Supply	Total Available Room Nights	Change	Transient Occupied Room Nights	Change	Transient Occupancy	Transient Revenue	Transient Average Rate	Change	Trainsient RevPAR	Change
Approved Year>	2009	3,369	1,229,574	— %	66,329	—	5.4 %	$4,344,847	$65.5	— %	3.5	— %
	2010	3,424	1,249,642	1.6	59,614	(10.1)	4.8	3,660,693	61.4	(6.3)	2.9	(17.1)
	2011	3,429	1,251,585	0.2	65,255	9.5	5.2	3,969,360	60.8	(0.9)	3.2	8.3
	2012	3,429	1,251,585	0.0	73,105	12.0	5.8	4,580,495	62.7	3.0	3.7	15.4
	2013	3,426	1,250,395	(0.1)	59,458	(18.7)	4.8	3,723,432	62.6	(0.1)	3.0	(18.6)
	2014	3,424	1,249,699	(0.1)	82,041	38.0	6.6	6,165,058	75.1	20.0	4.9	65.7
	2015	3,423	1,249,395	(0.0)	81,498	(0.7)	6.5	8,140,289	99.9	32.9	6.5	32.1
	2016	3,451	1,259,689	0.8	78,100	(4.2)	6.2	8,716,465	111.6	11.7	6.9	6.2
	2017	3,702	1,351,354	7.3	90,242	15.5	6.7	10,352,879	114.7	2.8	7.7	10.7
	2017/18	3,712	1,354,766	0.3	110,905	22.9	8.2	12,895,579	116.3	1.4	9.5	24.2
Year-to-Date Through September												
	2017	2,769	1,010,586	—	67,466	—	6.7 %	7,700,908	114.1	—	7.6	—
	2018	2,778	1,013,998	0.3 %	88,129	30.6 %	8.7	10,243,608	116.2	1.8 %	10.1 %	32.6 %

HOTELS PARTICIPATING IN SEGMENTATION REPORTS

STR Code	Name of Establishment	City & State	Zip Code	Class	Aff Date	Open Date	Rooms	Chg in Rms
28661	Rodeway Inn & Suites Near The Coliseum & Arena	Oakland, CA	94601	Economy Class	Apr 2011		36	
38129	Holiday Inn Express & Suites Oakland Airport	Oakland, CA	94603	Upper Midscale Class	Apr 1999	Apr 1999	95	
11722	Motel 6 Oakland Embarcadero	Oakland, CA	94606	Economy Class	Jan 1992	Jun 1981	99	Y
62739	Best Western Plus Bayside Hotel	Oakland, CA	94606	Upper Midscale Class	Feb 2013	Feb 2013	81	Y
44246	Homewood Suites Oakland Waterfront	Oakland, CA	94606	Upscale Class	Jan 2002	Jan 2002	132	
21624	Executive Inn & Suites	Oakland, CA	94606	Upper Upscale Class	Jun 1991	Jun 1991	143	Y
17403	Jack London Inn	Oakland, CA	94607	Economy Class	Jun 1967	Jun 1967	110	
2048	Joie De Vivre Waterfront Hotel	Oakland, CA	94607	Upper Upscale Class	Oct 2007	Jun 1964	145	Y
42777	Courtyard Oakland Downtown	Oakland, CA	94607	Upscale Class	Mar 2002	Mar 2002	162	
5761	Marriott Oakland City Center	Oakland, CA	94607	Upper Upscale Class	Jan 1996	May 1983	500	Y
2049	Z Hotel Jack London Square	Oakland, CA	94607	Upscale Class	Sep 2007	Jun 1964	98	
60396	Clarion Hotel Downtown Oakland City Center	Oakland, CA	94612	Upper Midscale Class	Nov 2009	Nov 2009	64	Y
37595	Comfort Inn & Suites Oakland	Oakland, CA	94621	Upper Midscale Class	Jan 2011	Oct 1999	104	
41620	Courtyard Oakland Airport	Oakland, CA	94621	Upscale Class	Feb 2001	Feb 2001	156	
57744	Holiday Inn Hotel & Suites Oakland Airport	Oakland, CA	94621	Upper Midscale Class	Jun 2008	Jun 2008	146	Y
191	Radisson Hotel Oakland Airport	Oakland, CA	94621	Upscale Class	Dec 2016	May 1963	289	Y
6927	Days Hotel Oakland Airport Coliseum	Oakland, CA	94621	Economy Class	Oct 1983	Oct 1983	139	
15363	Econo Lodge Inn & Suites Oakland Airport	Oakland, CA	94621	Economy Class	Sep 2008	Jun 1964	72	
9699	Hilton Oakland Airport	Oakland, CA	94621	Upper Upscale Class	Jan 1970	Jan 1970	360	Y
11157	Motel 6 Oakland Airport	Oakland, CA	94621	Economy Class	Feb 1989	Jun 1981	284	Y
7194	Oakland Airport Executive Hotel	Oakland, CA	94621	Upper Midscale Class	Jan 2018	Jun 1970	189	
35439	Best Western Plus Airport Inn & Suites	Oakland, CA	94621	Upper Midscale Class	Mar 2011	Apr 2001	76	
23139	Quality Inn Oakland	Oakland, CA	94621	Midscale Class	Nov 2004	Sep 1986	99	
24060	La Quinta Inns & Suites Oakland Airport Coliseum	Oakland, CA	94621	Midscale Class	Apr 2004	Nov 1986	148	
					Total Properties:	24	3727	

STR Code	2016												2017												2018											
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
28661																																				
38129																																				
11722																																				
62739	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●			
44246	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●			
21624	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●			
17403																																				
2048	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●			
42777	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●	●	○	●	○	●	○	○	●	●	○	○	●	○	●	●	●	●	●			
5761	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●			
2049																																				
60396																																				
37595																																				
41620	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○			
57744																																				
191																																				
6927																																				
15363																																				
9699	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●			
11157																																				
7194																																				
35439																																				
23139																																				
24060																																				

○ - Monthly Segmentation data received by STR
● - Monthly and daily Segmentation data received by STR
Blank - No data received by STR
Y - (Chg in Rms) Property has experienced a room addition or drop during the time period of the report

HVS

EL SEGUNDO

Ballot Year: **2016**
Effective Year: **2017**
Previous Occupancy Tax %: **8.0%**
Increased Occupancy Tax %: **12.0%**
% Difference: **4.0% Point**

HISTORICAL SUPPLY AND DEMAND TRENDS (STR)

	Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
	2008	1,388	506,620	—	405,680	—	80.1 %	$126.70	—	$101.46	—
	2009	1,388	506,620	0.0 %	402,106	(0.9) %	79.4	110.49	(12.8) %	87.70	(13.6) %
	2010	1,388	506,620	0.0	410,409	2.1	81.0	109.17	(1.2)	88.44	0.8
	2011	1,388	506,620	0.0	434,518	5.9	85.8	114.60	5.0	98.29	11.1
	2012	1,408	513,748	1.4	436,095	0.4	84.9	121.89	6.4	103.47	5.3
	2013	1,542	562,830	9.6	478,727	9.8	85.1	126.88	4.1	107.92	4.3
	2014	1,542	562,830	0.0	488,011	1.9	86.7	137.60	8.5	119.31	10.6
	2015	1,543	563,075	0.0	478,752	(1.9)	85.0	148.41	7.9	126.18	5.8
Approved Year>	2016	1,804	658,296	16.9	567,257	18.5	86.2	155.48	4.8	133.98	6.2
	2017	2,387	871,144	32.3	752,648	32.7	86.4	154.58	(0.6)	133.55	(0.3)
	2017/18	2,467	900,515	3.4	785,451	4.4	87.2	153.32	(0.8)	133.73	0.1
	Year-to-Date Through September										
	2017	2,360	644,393	—	568,882	—	88.3 %	$156.95	—	$138.56	—
	2018	2,468	673,764	4.6 %	601,685	5.8 %	89.3	155.18	(1.1) %	138.58	0.0 %
	Average Annual Compounded Change:										
	2008 - 2016			3.3 %		4.3 %			2.6 %		3.5 %
	2016 - 2017			32.3		32.7			(0.6)		(0.3)
	2008 - 2017			6.2		7.1			2.2		3.1

Hotels Included in Sample	Class	Number of Rooms	Affiliated Year	Year Opened	Comments
Travelodge LAX South El Segundo	Economy Class	111	Aug 1994	Jun 1961	
Embassy Suites LA International Airport South	Upper Upscale Class	349	Dec 1995	Aug 1985	
Courtyard Los Angeles LAX El Segundo	Upscale Class	146	Mar 1987	Mar 1987	
DoubleTree LAX EL Segundo	Upscale Class	216	Jan 2004	Dec 1987	
Hyatt House Los Angeles El Segundo	Upscale Class	122	Jan 2012	Mar 1995	
Extended Stay America Los Angeles LAX Airport El Segundo	Economy Class	150	Apr 2012	Jan 1998	
Hilton Garden Inn LAX El Segundo	Upscale Class	162	Feb 2000	Feb 2000	
Residence Inn Los Angeles Airport El Segundo	Upscale Class	150	Apr 2001	Apr 2001	
Hyatt Place Los Angeles LAX El Segundo	Upscale Class	143	Dec 2012	Dec 2012	
aloft Hotel El Segundo Los Angeles Airport	Upscale Class	246	Apr 2016	Apr 2016	
Fairfield Inn & Suites Los Angeles LAX El Segundo	Upper Midscale Class	350	Oct 2016	Oct 2016	
Hampton Inn & Suites LAX El Segundo	Upper Midscale Class	171	Nov 2016	Nov 2016	
Cambria hotel & suites LAX El Segundo	Upscale Class	152	May 2017	May 2017	
	Total	**2,468**			

HISTORICAL SUPPLY AND DEMAND TRENDS (STR) BY SEGMENT

	Year	Supply	Total Available Room Nights	Change	Transient Occupied Room Nights	Change	Transient Occupancy	Transient Revenue	Transient Average Rate	Change	Trainsient RevPAR	Change
	Transient											
	2013	1,542	562,830	—	415,082	—	73.7 %	53,621,133	129.18	—	$95.27	—
	2014	1,542	562,830	0.0 %	429,001	3.4 %	76.2	60,225,718	140.39	8.7 %	107.01	12.3 %
	2015	1,543	563,075	0.0	436,567	1.8	77.5	64,977,946	148.84	6.0	115.40	7.8
Approved Year>	2016	1,804	658,296	16.9	479,109	9.7	72.8	75,031,724	156.61	5.2	113.98	(1.2)
	2017	2,387	871,144	32.3	612,109	27.8	70.3	94,907,722	155.05	(1.0)	108.95	(4.4)
	2017/18	2,467	900,515	3.4	616,593	0.7	68.5	95,163,710	154.34	(0.5)	105.68	(3.0)
	Year-to-Date Through September											
	2017	1,765	644,393	—	465,886	—	72.3 %	73,423,861	157.60	—	113.94	—
	2018	1,846	673,764	4.6 %	470,370	1.0 %	69.8	73,679,849	156.64	(0.6) %	109.36	(4.0) %

	Year	Supply	Total Available Room Nights	Change	Group Occupied Room Nights	Change	Group Occupancy	Group Revenue	Group Average Rate	Change	Group RevPAR	Change
	Group											
	2013	1,542	562,830	—	36,033	—	6.4 %	4,694,823	130.29	—	$8.34	—
	2014	1,542	562,830	0.0 %	36,882	2.4 %	6.6	4,930,742	133.69	2.6 %	8.76	5.0 %
	2015	1,543	563,075	0.0	31,137	(15.6)	5.5	4,581,059	147.13	10.1	8.14	(7.1)
Approved Year>	2016	1,804	658,296	16.9	44,514	43.0	6.8	6,702,883	150.58	2.3	10.18	25.2
	2017	2,387	871,144	32.3	51,428	15.5	5.9	8,026,689	156.08	3.7	9.21	(9.5)
	2017/18	2,467	900,515	3.4	56,406	9.7	6.3	8,852,987	156.95	0.6	9.83	6.7
	Year-to-Date Through September											
	2017	1,765	644,393	—	39,609	—	6.1 %	6,313,717	159.40	—	9.80	—
	2018	1,846	673,764	4.6 %	44,587	12.6 %	6.6	7,140,016	160.14	0.5 %	10.60	8.2 %

	Year	Supply	Total Available Room Nights	Change	Contract Occupied Room Nights	Change	Contract Occupancy	Contract Revenue	Contract Average Rate	Change	Contract RevPAR	Change
	Contract											
	2013	1,542	562,830	—	27,612	—	4.9 %	2,423,273	87.76	—	$4.31	—
	2014	1,542	562,830	0.0 %	22,128	(19.9) %	3.9	1,994,822	90.15	2.7 %	3.54	(17.8) %
	2015	1,543	563,075	0.0	11,048	(50.1)	2.0	1,490,906	134.94	49.7	2.65	(25.3)
Approved Year>	2016	1,804	658,296	16.9	43,633	294.9	6.6	6,463,894	148.14	9.8	9.82	270.8
	2017	2,387	871,144	32.3	89,110	104.2	10.2	13,407,178	150.46	1.6	15.39	56.7
	2017/18	2,467	900,515	3.4	112,452	26.2	12.5	16,406,407	145.90	(3.0)	18.22	18.4
	Year-to-Date Through September											
	2017	1,765	644,393	—	63,386	—	9.8 %	9,547,988	150.63	—	14.82	—
	2018	1,846	673,764	4.6 %	86,728	36.8 %	12.9	12,547,217	144.67	(4.0) %	18.62	25.7 %

DEMOGRAPHICS BY RADIUS

	0.00 - 1.00 miles	0.00 - 3.00 miles	0.00 - 5.00 miles
Population			
2023 Projection	24,546	142,112	278,696
2018 Estimate	23,252	133,918	262,191
2010 Census	21,109	112,229	222,523
2000 Census	19,966	100,639	197,267
Percent Change: 2018 to 2023	5.6%	6.1%	6.3%
Percent Change: 2010 to 2018	10.2%	19.3%	17.8%
Percent Change: 2000 to 2010	5.7%	11.5%	12.8%
Households			
2023 Projection	7,536	44,705	89,061
2018 Estimate	7,116	42,053	83,706
2010 Census	6,415	34,478	69,991
2000 Census	5,168	28,991	58,793
Percent Change: 2018 to 2023	5.9%	6.3%	6.4%
Percent Change: 2010 to 2018	10.9%	22.0%	19.6%
Percent Change: 2000 to 2010	24.1%	18.9%	19.1%
Income			
2018 Est. Average Household Income	$153,521	$158,163	$160,176
2018 Est. Median Household Income	120,967	125,361	124,968
2018 Est. Civ. Employed Pop 16+ by Occupation			
Architecture/Engineering	1,073	6,205	11,980
Arts/Design/Entertainment/Sports/Media	126	977	2,081
Building/Grounds Cleaning/Maintenance	224	1,482	3,067
Business/Financial Operations	806	4,542	9,511
Community/Social Services	71	576	1,054
Computer/Mathematical	1,844	10,652	20,182
Construction/Extraction	208	1,424	2,775
Education/Training/Library	553	2,365	4,402
Farming/Fishing/Forestry	15	121	172
Food Preparation/Serving Related	493	2,748	5,220
Healthcare Practitioner/Technician	471	2,574	5,134
Healthcare Support	351	1,313	2,675
Installation/Maintenance/Repair	306	1,731	2,925
Legal	41	296	729
Life/Physical/Social Science	111	779	1,543
Management	1,118	7,268	15,051
Office/Administrative Support	1,118	6,680	12,563
Production	623	4,351	8,739
Protective Services	72	664	1,241
Sales/Related	816	5,108	9,661
Personal Care/Service	448	2,880	5,344
Transportation/Material Moving	346	1,945	4,061

Source: Environics Analytics

ECONOMIC AND DEMOGRAPHIC DATA SUMMARY

	2000	2010	2017	2020	Average Annual Compounded Change 2000-10	2010-17	2017-20
Resident Population (Thousands)							
Santa Clara County	1,684.9	1,786.6	1,938.3	2,000.4	0.6 %	1.2 %	1.1 %
San Jose-Sunnyvale-Santa Clara, CA MSA	1,738.7	1,842.2	1,998.4	2,062.8	0.6	1.2	1.1
San Jose-San Francisco-Oakland, CA CSA	7,680.3	8,173.7	8,827.1	9,076.2	0.6	1.1	0.9
State of California	33,988.0	37,332.7	39,619.3	40,835.5	0.9	0.9	1.0
United States	282,162.4	309,348.1	325,888.1	335,057.8	0.9	0.7	0.9
Per-Capita Personal Income*							
Santa Clara County	$65,571	$60,198	$81,849	$85,046	(0.9)	4.5	1.3
San Jose-Sunnyvale-Santa Clara, CA MSA	64,629	59,438	80,588	83,714	(0.8)	4.4	1.3
San Jose-San Francisco-Oakland, CA CSA	55,395	54,469	70,273	72,914	(0.2)	3.7	1.2
State of California	39,811	42,612	51,737	53,853	0.7	2.8	1.3
United States	36,812	39,622	45,335	47,348	0.7	1.9	1.5
W&P Wealth Index							
Santa Clara County	175.0	150.4	177.7	176.9	(1.5)	2.4	(0.2)
San Jose-Sunnyvale-Santa Clara, CA MSA	172.7	148.6	175.1	174.2	(1.5)	2.4	(0.2)
San Jose-San Francisco-Oakland, CA CSA	147.6	136.1	152.1	151.2	(0.8)	1.6	(0.2)
State of California	108.0	107.9	113.5	113.2	(0.0)	0.7	(0.1)
United States	100.0	100.0	100.0	100.0	0.0	0.0	0.0
Food and Beverage Sales (Millions)*							
Santa Clara County	$2,868	$3,385	$4,027	$4,151	1.7	2.5	1.0
San Jose-Sunnyvale-Santa Clara, CA MSA	2,915	3,427	4,077	4,204	1.6	2.5	1.0
San Jose-San Francisco-Oakland, CA CSA	12,461	14,881	19,104	19,854	1.8	3.6	1.3
State of California	46,670	58,066	74,925	78,481	2.2	3.7	1.6
United States	368,829	447,728	588,681	615,384	2.0	4.0	1.5
Total Retail Sales (Millions)*							
Santa Clara County	$26,653	$34,721	$47,442	$49,800	2.7	4.6	1.6
San Jose-Sunnyvale-Santa Clara, CA MSA	27,141	35,074	47,863	50,244	2.6	4.5	1.6
San Jose-San Francisco-Oakland, CA CSA	112,961	122,863	156,404	163,466	0.8	3.5	1.5
State of California	446,480	480,529	580,786	608,665	0.7	2.7	1.6
United States	3,902,830	4,130,414	4,999,879	5,227,450	0.6	2.8	1.5

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

OFFICE STATISTICS

Submarket	Inventory Buildings	Inventory Square Feet	Occupied Office Space	Vacancy Rate	Average Asking Lease Rate
South Clara/Sunnyvale	244	29,099,000	23,628,400	18.8 %	$44.99
Airport/Milpitas	**128**	**13,192,000**	**10,316,100**	**21.8**	**31.83**
Cupertino/Campbell	134	7,928,000	7,000,400	11.7	42.86
San Jose	122	8,474,000	6,872,400	18.9	38.24
Palo Alto/Mountain View	202	8,958,000	8,017,400	10.5	71.09
Totals and Averages	**830**	**67,651,000**	**55,834,700**	**17.5 %**	**$44.78**

Source: REIS Report, 3rd Quarter, 2018

**We note that data on office spaces in this report exclude statistics on research and development facilities.*

NEW TENANTS FROM OCTOBER 2017 TO OCTOBER 2018

New Tenant Leases Signed in Milpitas from October 2017 through October 2018

Tenants	Occupied Sapce (sqft)
Apple	313,978
Venture Electronics International, Inc.	145,313
SF Motors	136,632
Renesas Electronics America Inc.	90,114
Continuum Electro Optics, Inc.	35,342
Barco, Inc	31,165
Silicon Turnkey Solutions, Inc.	30,968
Advanced Energy Industries Inc	25,037
Arevo	21,010
ZoMazz, Inc	20,749
IGeneX Inc.	20,480
Electronics Recycling Services	6,303
Jensen Corporate Holdings	6,000
Securonix, Inc.	3,783
Reel Eagle Studios	3,490
Sindeo, Inc.	2600
AMISEQ, Inc.	2,577
Planar Semiconductor	1,745
Scifi	1,432
Zion Tech Solutions	950
Intelikore	500

Source: CoStar Group

HISTORICAL AND PROJECTED OFFICE SPACE STATISTICS – GREATER MARKET VS. SUBMARKET

	San Jose Market							Airport/Milpitas Submarket						
Year	Available Office Space	% Chg	Occupied Office Space	% Chg	Vacancy Rate	Asking Lease Rate	% Chg	Available Office Space	% Chg	Occupied Office Space	% Chg	Vacancy Rate	Asking Lease Rate	% Chg
2005	50,279,000	—	40,949,000	—	18.6 %	$25.11	—	13,018,000	—	10,584,000	—	18.7 %	$20.88	—
2006	50,015,000	(0.5) %	42,276,000	3.2 %	15.5	27.24	8.5 %	13,074,000	0.4 %	11,165,000	5.5 %	14.6	22.43	7.4 %
2007	49,868,000	(0.3)	43,034,000	1.8	13.7	30.91	13.5	13,074,000	0.0	11,374,000	1.9	13.0	25.01	11.5
2008	50,779,000	1.8	42,475,000	(1.3)	16.4	31.72	2.6	12,916,000	(1.2)	11,095,000	(2.5)	14.1	24.65	(1.4)
2009	51,733,000	1.9	40,733,000	(4.1)	21.3	29.09	(8.3)	12,646,000	(2.1)	10,357,000	(6.7)	18.1	22.13	(10.2)
2010	51,882,000	0.3	40,099,000	(1.6)	22.7	28.81	(1.0)	12,846,000	1.6	9,763,000	(5.7)	24.0	21.51	(2.8)
2011	52,150,000	0.5	40,721,000	1.6	21.9	30.55	6.0	12,846,000	0.0	9,699,000	(0.7)	24.5	21.84	1.5
2012	52,599,000	0.9	42,608,000	4.6	19.0	32.21	5.4	12,846,000	0.0	10,058,000	3.7	21.7	22.07	1.1
2013	54,322,000	3.3	44,470,000	4.4	18.1	34.34	6.6	12,846,000	0.0	10,174,000	1.2	20.8	23.70	7.4
2014	56,538,000	4.1	46,494,000	4.6	17.8	36.87	7.4	13,073,000	1.8	10,498,000	3.2	19.7	25.48	7.5
2015	59,317,000	4.9	49,754,000	7.0	16.1	39.69	7.6	12,563,000	(3.9)	10,314,000	(1.8)	17.9	27.27	7.0
2016	61,251,000	3.3	50,716,000	1.9	17.2	41.84	5.4	12,747,000	1.5	10,159,000	(1.5)	20.3	29.10	6.7
2017	64,338,000	5.0	52,429,000	3.4	18.5	43.23	3.3	12,747,000	0.0	10,338,000	1.8	18.9	30.31	4.2
Forecasts														
2018	66,760,000	*3.8 %*	53,882,000	*2.8 %*	19.3 %	$44.33	*2.5 %*	12,747,000	*0.0 %*	10,231,000	*(1.0) %*	19.8 %	$31.10	*2.6 %*
2019	67,863,000	*1.7*	54,418,000	*1.0*	19.8	45.38	*2.4*	12,791,000	*0.3*	10,237,000	*0.1*	20.0	32.07	*3.1*
2020	68,424,000	*0.8*	54,806,000	*0.7*	19.9	46.46	*2.4*	12,941,000	*1.2*	10,326,000	*0.9*	20.2	33.03	*3.0*
2021	69,128,000	*1.0*	55,281,000	*0.9*	20.0	47.65	*2.6*	13,124,000	*1.4*	10,474,000	*1.4*	20.2	34.05	*3.1*
2022	69,851,000	*1.0*	55,729,000	*0.8*	20.2	48.79	*2.4*	13,316,000	*1.5*	10,622,000	*1.4*	20.2	35.13	*3.2*
Average Annual Compound Change														
2005 - 2017		2.1 %		2.1 %			4.6 %		(0.2) %		(0.2) %			3.2 %
2005 - 2007		(0.4)		2.5			10.9		0.2		3.7			9.4
2007 - 2010		1.3		(2.3)			(2.3)		(0.6)		(5.0)			(4.9)
2010 - 2017		3.1		3.9			6.0		(0.1)		0.8			5.0
Forecast 2018 - 2022		*1.1 %*		*0.7 %*			*2.4 %*		*1.1 %*		*0.9 %*			*3.1 %*

Source: REIS Report, 4th Quarter, 2017